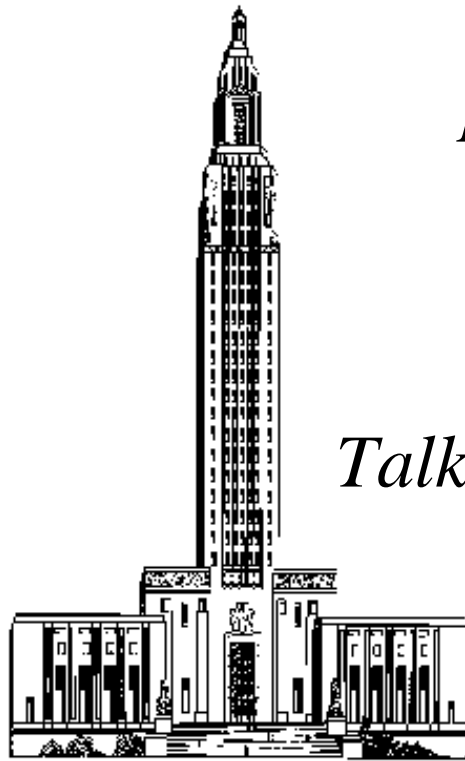


Fiscal Year 2002-2003



Fast Facts and Talking Points

Louisiana House of Representatives
Prepared by House Fiscal Division
July 8, 2002

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MEMORANDUM

TO: Members of the House of Representatives

FROM: Jean S. Vandal, Director
House Fiscal Division

DATE: July 8, 2002

RE: Summary of fiscal actions of 2002 Legislative Sessions

Enclosed is this year's ***Fast Facts and Talking Points*** summarizing the major fiscal actions of the 2002 Regular and Extraordinary Sessions. This document is designed as a quick reference tool to assist you in responding to constituents and the media and to provide source information for speaking engagements. (*It is adjusted for line-item vetoes by the governor in the General Appropriation Bill.*)

This year's report is composed of four sections. In addition to ***Fast Facts***, a thumbnail sketch of significant fiscal facts, and ***Talking Points***, an expanded summary with additional background information, additional sections entitled ***Tobacco Funds*** and ***TANF*** (Temporary Assistance to Needy Families) are included which provide information on use of these funds in the FY 02/03 budget.

This document will soon be available on the Internet through the House web page or House Fiscal Division web page.

We believe this summary will be useful to you. If you need any additional information on the budget or any fiscal topic, please contact me (225/342-6295) or any member of the House Fiscal Division staff.

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FAST FACTS ON 2002 BUDGET ACTIONS

OVERVIEW

First Extraordinary Session of 2002

- Major topics of the session were economic development, education, the Saints-Hornets package, and fee increases. Numerous local and other items were included in the call.
- Economic development initiatives included legislation authorizing tax credits and exclusions for technology commercialization, motion picture production, and research and biotechnology equipment and a revision of the Quality Jobs Program.
- Direct tax revenue loss from tax credits and exclusions enacted in the Special Session is estimated at \$13 million in FY 02-03, increasing to \$53 million by FY 06-07.
- The Saints-Hornets package included legislation redirecting a portion of the state sales tax on hotel occupancy in Orleans Parish from other local programs to pay for contractual obligations to those franchises and to fund Phase IV expansion of the Ernest N. Morial Convention Center and to include the Hornets in the Quality Jobs Program. Funding was provided for transition costs for the Hornets, for an upgrade of the New Orleans Arena to meet NBA standards and for an indoor practice facility for the Saints.

Proposed Budget for FY 02-03

- The Executive Budget reflected the Governor's priorities in education and economic development, including funding for biotechnology initiatives, the Economic Development "Deal Closing" Fund, and wet-lab business incubators, and continuing existing initiatives in information technology, school accountability, higher education, and other programs.
- The proposed Executive Budget also required substantial reductions in Medicaid and support for state operated health care facilities.
- The proposed Executive Budget required many agencies to absorb routine increases in costs such as merit increases, inflation, State Employees Group Benefits Program premiums, and other expenses.
- The Executive Budget, and the General Appropriation Bill as introduced, contained a base budget in balance with the official revenue forecast of \$5.9 billion. A supplemental section totaling \$587 million was contingent on renewal of revenue from the 50% limitation on excess itemized deductions, suspension of exemptions to the state sales and use tax, auto rental excise tax, 4 cent per pack cigarette tax, and suspension of the education tax credit.

Regular Session Revenue Actions

- A total of \$563 million in taxes was renewed, with certain reductions:
 - The limitation on excess itemized deductions was renewed for two years, but changed from 50% to 57.5% for FY 02-03 (15% reduction) and 65% for FY 03-04 (30% reduction).
 - The suspension of exemptions to the state sales and use tax was continued. Exemptions are permanently suspended for the 1% levy (R.S. 47:321). Exemptions for the 2% tax (R.S. 47:302) and .97% tax (R.S. 47:331) are suspended for two years. Automatically suspends the same exemptions from the .03% Tourism Promotion District tax. The .97% and .03% tourism tax, as they apply to food for home consumption and utilities, are reduced by 10% in FY 02-03 and 20% in FY 03-04.
 - The auto rental excise tax was renewed until June 30, 2012.
 - The 4-cent per pack tobacco tax was renewed until June 30, 2012.
 - The education tax credit suspension was renewed for four years.
- The Legislature passed the “Stelly Plan” which would prohibit state sales taxes on food for home consumption, residential utilities, and prescription drugs and increase individual income taxes, by changing tax brackets and eliminating the excess itemized deduction. The proposal will be voted on at the November 5, 2002 statewide election.
- The cigarette tax was increased from 24¢ to 36¢ per pack and dedicated to cancer research, smoking cessation, the D.A.R.E. Program, DHH Office of Addictive Disorders, LSU and Southern Agricultural Centers, and State Police.
- Numerous tax exemptions, exclusions and credits were passed in the Regular Session for rehabilitation of certain historic structures, for inactive oil and gas wells, digital TV and radio conversion, etc. The revenue loss from these tax changes is to total \$28.5 million in FY 02-03 and grow to \$33.5 million by FY 06-07.

Regular Session Budget Actions

- The Legislature's main budget priority for FY 02-03 was to provide adequate funding for Medicaid and state health care facilities.
- In April the Revenue Estimating Conference recognized additional State General Fund revenue of \$17.4 million for FY 01-02 and \$12.1 million for FY 02-03. In addition, the conference recognized increased revenue from gaming dedicated to the SELF Fund, from "slots at the tracks", and from tobacco proceeds.
- \$23.1 million in nonrecurring revenue was used to finance a one-year debt defeasance plan that saved \$23.4 million in debt service costs for FY 02-03. To finance the defeasance, reductions were made in cash capital outlay projects proposed by the administration.
- The renewal of taxes, increased revenue estimates, and the debt defeasance allowed the Legislature to restore Executive Budget proposed cuts to Medicaid and other health areas, while maintaining most of the higher education and economic development priorities proposed by the Governor.
- The Legislature was also able to fund the alternative budget proposal submitted by DHH which provided substantial investment in building capacity for community-based initiatives for the developmentally disabled, mentally ill, and elderly, while maintaining the existing base of institutional care.
- As enacted, the General Appropriation Bill contained a supplemental section supported by \$563 million in revenue, reduced from the \$587 million originally proposed to account for the reductions in the excess itemized deduction (15%) and sales tax (10%) renewals.
- Major items in the supplemental section as enacted included \$400 million for Medicaid and other health agencies, \$20 for a school support worker pay increase, \$19 million for the Urban and Rural funds, \$18 million for TOPS, \$19.6 million for supplemental pay, and \$34 million in Higher Education funding.
- On June 20, 2002 the Revenue Estimating Conference recognized \$563.4 million in revenue from the tax renewals to fund the supplemental section as follows:

Limitation on excess itemized deductions	\$ 76.4 million
Suspension of exemptions on 4% sales tax	\$ 450.3 million
Auto rental excise tax	\$ 4.5 million
Tobacco tax	\$ 14.2 million
Education tax credit	\$ 18.0 million

Supplemental Funding for FY 01-02

- Due to increased revenue estimates, expenditure revisions, and freeze order savings, \$108 million in recurring funds was available to fund budget needs for the remainder of FY 01-02.
- Among the items funded through supplemental appropriations in the special and regular sessions were: \$9.3 million for state match for Federal disaster funds; a \$7.2 million shortfall for housing state inmates in local jails; \$5.7 for Homeland Security costs, \$3.7 million to restore MFP reductions to certain school systems, \$1.7 million for Hornets fee and relocation costs, and \$66.8 million cover FY 02-03 Medicaid costs.

Nonrecurring Revenues

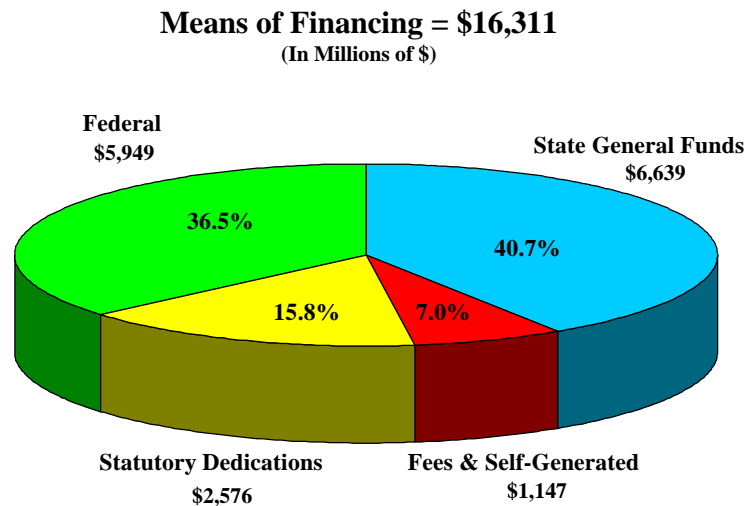
- Of \$180.7 million in collections from the Tax Amnesty Program authorized in 2001, \$28.1 million was retained as self-generated revenue by the Department of Revenue. The remaining \$152.6 million, plus \$3 million transferred from the Incentive Fund, was designated by the Revenue Estimating Conference as nonrecurring revenue, for a total of \$155.6 million in nonrecurring funds from FY 01-02.
- The Conference also recognized a \$73.1 million FY 00-01 balance as nonrecurring revenue.
- Of the total \$228.7 million in nonrecurring revenue, \$57.2 million (25%) will be deposited in the Budget Stabilization (“Rainy Day”) Fund as required by the constitution.
- The remainder was appropriated for debt defeasance (\$23.1 million), Special Session capital outlay appropriations as part of the Saints/Hornets package (\$16.7 million), and for capital outlay projects in the Regular Session (\$131.7 million).

FY 02-03 State General Fund Revenues

- The Official Revenue Forecast adopted on June 20, 2002 is \$6.503 billion.
- Compared with State General Fund revenues at the beginning of FY 01-02, State General Fund estimates for FY 02-03 are some \$90.1 million greater, an increase of 1.4%.
- Compared with the most recent revised FY 01-02 forecast, revenue growth for FY 02-03 is only \$51 million greater, an 0.8% increase.

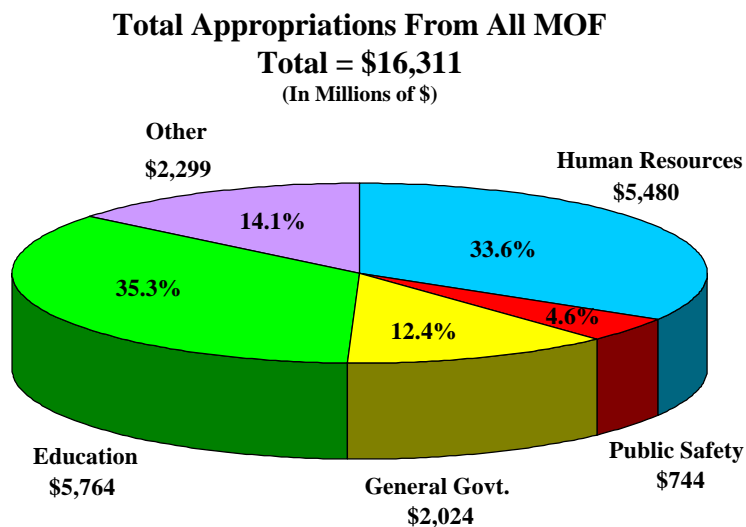
FY 02-03 Means of Financing

- Total state budget for FY 02-03 is funded from the following Means of Financing. The \$6.6 billion from the State General Fund exceeds the official recurring revenue forecast of \$6.5 billion due to appropriation of \$132 million in nonrecurring prior year revenue for capital outlay expenditures.



FY 02-03 Appropriations

- Total appropriations are distributed among major functional areas as follows:



Note: Other includes Economic Development, Culture, Labor, Environment, Natural Resources, Wildlife and Fisheries, Agriculture, DOTD, and Capital Outlay.

FY 02-03 Budget Growth

- Total budget for FY 02-03 is \$16.3 billion compared to the FY 01-02 budget of \$16.1 billion (existing operating budget as of 12/20/01), an increase of \$173 million or 1.2%. Budget adjustments since December have actually increased the FY 01-02 budget to \$16.3 billion, the same level as the beginning FY 02-03 budget.
- The State General Fund budget for FY 02-03 is \$6.666 billion compared to the FY 01-02 SGF budget of \$6.426 billion (existing operating budget as of 12/20/01), a growth of \$240 million or 3.7%. Much of this increase is due to appropriation of \$132 million in nonrecurring revenues for capital outlay. Excluding these one-time funds, the State General Fund budget growth is about \$100 million, or 1.7% for FY 02-03.

State Debt and Debt Service

- State Debt is down by 45% compared to 1993 when the Constitutional Debt Limitation became law.
- The state issued General Obligation Bonds of \$252 million in FY 02-03, down from \$347 million in FY 00-01.
- Debt service has increased since FY 99-00 as the savings from prior debt reductions phased out. Debt service on existing bonds will decline again beginning in FY 03-04.
- The State is on target to meet the constitutional requirement that debt service be 6% or less of state revenues by the end of FY 03-04.
- Legislation in the 2002 Regular Session authorized the use of GARVEE bonds. This financing mechanism allows DOTD to pledge anticipated federal highway funds as security for highway construction debt.

Capital Outlay

The total capital outlay program for FY 02-03 is \$3,470.6 million. 26% is allocated to DOTD projects for highways, ports, airports, and flood control, 27% to other state projects, 22% for higher education institutions, and 25% for non-state projects, financed as follows:

\$ 131.5 million	State General Fund – Nonrecurring Revenues
142.8 million	Federal Funds
336.0 million	Federal Transportation Trust Fund
214.8 million	Transportation Trust Fund and TIMED Cash
74.3 million	Other Statutory Dedications, Self-Generated Revenues, Reappropriated Cash
265.3 million	Revenue Bonds
14.0 million	Interagency Transfers

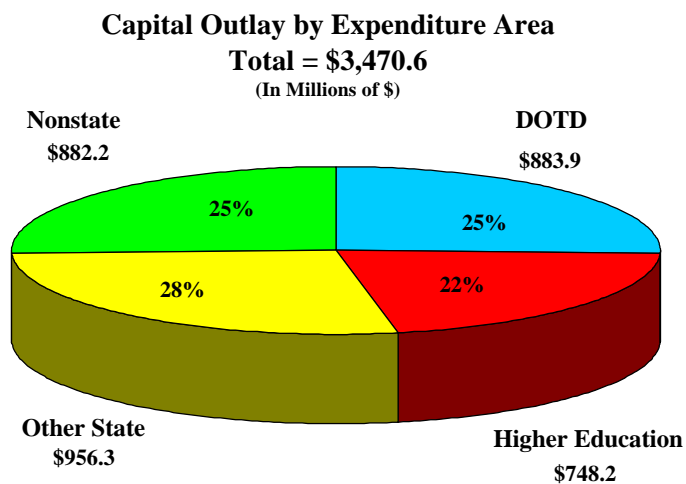
\$ 1,178.7 million Total Cash

922.8 million	Priorities 1 and 2
441.8 million	Priorities 3 and 4
924.0 million	Priority 5

\$ 2,288.6 million Total Bonds

3.2 million	NRP/RBP (previously sold proceeds and prepayment of reimbursement contracts)
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\$ 3,470.5 million Grand Total



K-12 EDUCATION		
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\$	54.9 million	Increased funding for the MFP (50% must be used to supplement and enhance full-time certificated staff salaries and retirement benefits)
\$	93.7 million	Total funding for Tuition Opportunity Program for Students (TOPS) awards
\$	10.0 million	K-12 Classroom technology funding in Capital Outlay Act
\$	20.0 million	Funding for an estimated \$500 pay raise for support personnel
\$	53.3 million	TANF funding for educational initiatives, including: LA4 (Prekindergarten) Program - \$29.5 million Dropout Prevention - \$7 million After School Education and Enhancement - \$8 million Child and Teen Literacy - \$4.75 million Family and Adult Literacy - \$4 million
\$	43.6 million	K - 12 Accountability Initiatives, including: Summer School and Tutoring - \$20 million Distinguished Educators - \$3.8 million Testing - \$14.7 million School Improvement - \$5.2 million
\$	22.2 million	Type 2 Charter Schools, including \$3.6 million for Belle Chasse and \$1.65 million for SABIS International in New Orleans
\$	1.5 million	Teacher Mentoring Program enhancement
\$	64.0 million	Federal Funds increase from the “No Child Left Behind Act of 2001”
\$	680,000	Continued funding for the On-Line Database Resources available to all teachers and students
\$	117.2 million	Education Excellence Funds to be allocated among public schools, state special schools and nonpublic schools during FY 01-02
\$	3.7 million	Partial funding restoration for 16 school systems impacted by \$11 million MFP reduction in FY 01-02 related to pay raise calculation
\$	500,000	Enhanced funding for the UNO TELEPLEX Project, bringing the total in operating budget to \$1 million. \$1.25 million in capital outlay funding also provided.

HIGHER EDUCATION

\$	6.425 million	Performance and Quality Improvement Pool to address performance expectations, strategic goals and economic development initiatives at institutions of higher education
\$	8.5 million	Performance and Quality Improvement Program - capital outlay funding
\$	4.0 million	Governor's Biotechnology Initiative/health care workforce development
\$	5.8 million	Governor's Biotechnology Initiative - capital outlay funding
\$	22.5 million	Continuation of Governor's Information Technology Initiative
\$	2.5 million	Neurobiotechnology Initiative acquisitions - capital outlay funding
\$	30.0 million	Wet-Lab Business Incubator - capital outlay funding (\$12 million SGF)
\$	2.5 million	La. Gene Therapy Research Consortium operating funds
\$	17.2 million	La. Gene Therapy Research Consortium - capital outlay funding
\$	7.6 million	Funding for the Community and Technical College Development Pool
\$	15.0 million	Library, Instructional and Scientific Acquisitions - capital outlay funding
\$	800,000	Teacher recruitment and certification efforts
\$	500,000	Homeland security training at LSU Fire and Emergency Training Institute
\$	300,000	Increase for operational expenses at LSU Paul M. Hebert Law Center
\$	10.1 million	Funding for classified employee merit increases
\$	15.8 million	Funding for costs related to Group Insurance premium increases
\$	18.2 million	Increased funding for cancer research, smoking cessation, and agricultural centers from increase in tobacco tax
\$	813.0 million	Total capital outlay funding (including initiatives listed above) for planning, construction, renovation, and equipment and property acquisitions for higher education institutions

HEALTH AND SOCIAL SERVICES

Medicaid

Total Medical Vendor Payments for health care services grow by 3.5% to \$4.3 billion in FY 02-03, while state funds for Medicaid services decline by .2%.

\$	159.0 million	Restored to avoid rate reductions to private health care providers
\$	6.1 million	For 325 additional MR/DD waiver slots and for 100 slots in a new capped expenditure waiver program for adults to be developed by DHH
\$	27.2 million	Inflationary rate adjustments for nursing homes
\$	3.5 million	Increased rates for children's dental services covered by EPSDT
\$	849,000	Rate increase for non-emergency transportation services by certified ambulance providers
\$	1.4 million	Rate increase for emergency transportation services
\$	16.3 million	Expansion of the new CommunityCare program and payment of management fees to participating physicians
\$	17.7 million	Increased costs anticipated from a major revision (MR/DD waiver rewrite) to the covered services and rates paid under the MR/DD waiver program
\$	1.7 million	Rate increases for physical, occupational, speech/language, and hearing therapy services for children under age three
\$	4.2 million	Increase in payments to physicians for new patient office visits to 65% of the rates paid by Medicare
\$	5.2 million	Expansion of Medicaid and LaCHIP to cover pregnant women with family incomes up to 200% of Federal Poverty Level, beginning January 2003
\$	16.9 million	Behavioral Management services, beginning in September 2002
\$	21.0 million	Personal Care Attendant (PCA) services beginning in October 2002
\$	1.5 million	Expanded Medicaid and Uncompensated Care Payments to state facilities
\$	9.6 million	New Medicaid administration costs, including monitoring of new programs and the Nursing Home case mix method of payment
\$	4.15 million	DHH – Office of the Secretary for health care grants and other purposes

Public Health

\$	900,000	Restored state collection and transportation of local water system samples for safe drinking water testing
\$	1.8 million	Restored funding for the Louisiana Genetics Disease Program
\$	2.6 million	Restored funding for hemophilia services (\$1.2 million State General Fund)
\$	300,000	Encephalitis testing by LSU School of Veterinary Medicine
\$	764,810	Transferred funding and positions for the ChildNet Program from the Department of Education (Interagency Transfers)
\$	3.9 million	Annualization of funding for Homeland Security – Bio-terrorism
\$	23.0 million	Capital outlay for new state public health laboratory (\$2.3 million State General Fund; \$20 million Priority 5)

Mental Health

\$	700,000	Provided child and family mental health services to seriously mentally ill children under the age of five
\$	522,563	Transferred funding and positions to the State Office for the prior authorization process currently handled individually by each area (\$261,283 State General Fund)
\$	7.9 million	Provided crisis intervention services, new medications, and assertive community treatment teams in each area to reduce inpatient hospitalization among children and adults
\$	18.9 million	Capital outlay for fire alarm system upgrades, air conditioning and elevator repair/replacement, and other renovation projects

Developmental Disabilities

\$	4.9 million	Provided funding for community capacity building
\$	500,000	Provided inclusive child care and parental training for disabled children under three years of age (Interagency Transfers)
\$	1.2 million	Provided assertive community treatment teams in the developmental centers

\$ **4.4 million** Restored funding for operating and personal services at the developmental centers

\$ **17.6 million** Capital outlay for fire alarm, sprinkler, water, and sewer system, air conditioning upgrades/replacements, and other renovation projects

Addictive Disorders

\$ **2.0 million** Restored treatment services for court-ordered third and fourth DWI offenders

\$ **4.0 million** TANF funding for non-medical substance abuse treatment services for women with dependent children and drug screening, assessment, referral, and treatment costs to eligible recipients

\$ **1.0 million** Start-up funding for compulsive gambling clinics (Statutory Dedications)

\$ **2.3 million** Provided additional operating expenses due to enactment of Act 19 (HB 157) of the 2002 Regular Session (12 cent increase in tobacco tax)

\$ **(8.1 million)** Transfer of funds for drug court treatment services to the Supreme Court

\$ **1.5 million** Capital outlay for the patient dormitory at the Pines Treatment Center

State Prisoner Health Care

\$ **20.5 million** Funding for state prisoner health care for which Federal Funds can no longer be used (\$17.3 million for the LSU-Health Care Services Division and \$3.2 million for the LSU Health Sciences Center-Shreveport)

\$ **49.4 million** Capital outlay for medical equipment, acute care facility upgrades, ADA compliance, fire alarm and sprinkler systems, and other projects

Social Services

\$ **(8.5 million)** Gubernatorial reduction of 270 positions (\$8.2 million State General Fund)

\$ **500,000** Transfer to the Department of Health and Hospitals, Office for Citizens with Developmental Disabilities (Federal)

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)
--

In FY 01-02 a large balance of the TANF federal block grant was identified. This prompted the expansion of existing TANF programs and the creation of new TANF programs for FY 01-02 and FY 02-03. TANF funding for FY 02-03 includes \$125.7 million for the following initiatives.

Literacy Initiatives:

\$	29.5 million	Public Pre-K
\$	6.0 million	Non-Public Pre-K
\$	7.0 million	Pre-GED, Dropout Prevention
\$	8.0 million	After-School Education/Enhancement Programs
\$	4.75 million	New Child and Teen Literacy Initiatives
\$	4.0 million	New Family and Adult Literacy Initiatives
\$	2.4 million	Truancy Program

Employment Initiatives:

\$	10.0 million	Education and Training Services
\$	1.0 million	Micro-Enterprise Development
\$	3.0 million	Training Opportunities for Incarcerated Parents
\$	4.0 million	Post-Release Skills Program
\$	2.0 million	Individual Development Accounts
\$	2.0 million	Transportation Initiatives

Family Stability Initiatives:

\$	2.0 million	Teen Pregnancy Prevention Initiatives
\$	3.0 million	Utility Assistance
\$	375,000	Home Ownership Opportunities
\$	1.0 million	Delta Project for emergency home repairs
\$	5.0 million	Short-Term and Emergency Housing Initiatives
\$	3.0 million	Domestic Violence Initiatives
\$	875,000	New Family Strengthening Initiatives
\$	4.0 million	Court Appointed Special Advocates (CASA)
\$	5.0 million	Drug Courts
\$	4.0 million	Non-medical Substance Abuse (for women with minor children)
\$	1.75 million	New Early Childhood Intervention Program
\$	3 million	Parenting Initiatives for low-income fathers
\$	419,807	Youth in Transition Initiatives
\$	1.5 million	Abortion Alternative Services

Other Initiatives:

\$	6.0 million	Community Response Initiative
\$	1.0 million	Division of Administration for monitoring and evaluation of the TANF initiatives including two positions
\$	100,000	Two additional positions in the Department of Social Services

TRANSPORTATION

Transportation funding at both the state and federal levels are expected to decline in FY 02-03. At the state level, the decline is the result of smaller unspent fund balances in the Transportation Trust Fund and reduced fuel tax collections due to a slow economy. At the national level, TEA-21 allocations of highway trust fund money will be less. Consequently, there are few new initiatives in DOTD for FY 02-03.

(\$	9.0 million)	Overall REDUCTION in total DOTD operating budget spending
\$	21.9 million	Shifted from other DOTD spending areas to fund personnel costs, with almost \$11.9 million of this for related benefits payments for health insurance for current employees and DOTD retirees
\$	1.2 million	Pass through funding for local public works authorities
(\$	6.9 million)	<u>Decrease</u> in contract maintenance for mowing, routine maintenance and rest area maintenance and security
\$	9.1 million	Continued improvements in information technology, planning and management of DOTD activities
(\$	200,000)	REDUCTION in State General Fund appropriations for the General Aviation and Reliever Airport Program, leaving this program without funding for FY 02-03
\$	1.3 million	Landscape and beautification projects on roadways maintained by the Crescent City Connection Division of DOTD
\$	884 million	DOTD will manage some \$884 million of capital projects through statewide priority programs and other capital outlay appropriations for FY 02-03

MILITARY AFFAIRS AND VETERANS SERVICES

\$	1.4 million	Homeland Security costs
\$	20.1 million	State and Federal Funding for the Youth Challenge Program, including the operation and maintenance of the Carville Complex (\$925,000 in new State General Fund)
\$	74.1 million	Capital outlay funding of Military Department projects, including construction, renovations, and homeland security enhancements
\$	56.4 million	Capital outlay funding for construction of three new War Veterans Homes and a cemetery

PUBLIC SAFETY AND CORRECTIONS

Corrections

\$	6.6 million	Increased costs for Sheriffs Housing of State Inmates
\$	4.6 million	Juvenile Justice Settlement Agreement increases
\$	4.0 million	TANF funds for rehabilitation programs
\$	62.5 million	Capital outlay funding for construction and renovations at state correctional facilities
\$	(11.9 million)	Savings in Correctional Facilities Debt Service due to bond refinancing

Public Safety

\$	2.8 million	Homeland Security
\$	15.6 million	State Trooper pay raises
\$	3.0 million	Customer service programs and acquisition and implementation of new technology in the Office of Motor Vehicles
\$	1 million	Crime Lab enhancements

ECONOMIC DEVELOPMENT

\$ **1.0 million** State General Fund for completion of e-readiness plan

\$ **4.3 million** State General Fund for Louisiana Technology Park

State General Fund for the following events:

\$ **1.1 million** Sugar Bowl

\$ **1.0 million** NCAA Men's Basketball Championship and the Women's Volleyball
Tournament

\$ **375,000** Independence Bowl

\$ **350,000** New Orleans Bowl

\$ **250,000** Compaq Classic Golf Tournament

Capital Outlay funding for the following:

\$ **8.7 million** Economic Development Award Program (Closing Fund)

\$ **14.0 million** National Center for Advanced Manufacturing equipment acquisition

\$ **9.9 million** Grammy Exposition and Hall of Fame Exposition

TOURISM AND CULTURAL DEVELOPMENT

\$ **2.0 million** Louisiana Library Connection

\$ **1.5 million** State Aid to Local Libraries

\$ **2.0 million** Enhancements to state parks and historic sites

\$ **6.5 million** Funding for Arts Program (\$4.9 million in State General Fund)

\$ **5.0 million** Capital outlay funding for welcome centers

\$ **49.6 million** Capital outlay funding for museums (Culture, Recreation and Tourism and
Secretary of State)

\$ **107.0 million** Capital outlay funding for state parks and historic sites

AGRICULTURE AND FORESTRY

\$	35.2 million	Boll Weevil Eradication Program
\$	350,000	Funding for a poultry diagnostic laboratory
\$	500,000	Federal funding for a senior farmer's market nutrition program
\$	1.0 million	Restoration of funding and 30 positions proposed for elimination in Executive Budget
\$	1.6 million	Funding for agricultural-related economic development activities through the La. Agricultural Finance Authority Fund
\$	6.5 million	Capital outlay funding for fire suppression equipment

GENERAL GOVERNMENT

Executive Department

\$	1.2 million	Automated Victim Notification System
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Elections

\$	6.3 million	Increase in funding for additional election costs
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Natural Resources

\$	38.5 million	Funding for coastal restoration projects
\$	800,000	Increased State General Fund support in the Office of Conservation to maintain current level of operations (the Office of Conservation also received a \$400,000 fee increase in the Special Session)
\$	200,000	Additional funding and 5 positions for enhanced auditing activity in the Office of Mineral Resources (from Special Session fee increase)
\$	8.6 million	Capital outlay funding for Atchafalaya Basin projects

Environmental Quality

\$ **7.0 million** Additional state funding to maintain current level of operations (DEQ also received a \$7.5 million fee increase in the Special Session)

(\$ **2.4 million**) Reduction of 56 positions and associated funding

Labor

\$ **36.5 million** Federal Reed Act funds for technology enhancement and upgrade, redesign of Unemployment Insurance Tax and Benefit system, and staff training and professional development in Dept. of Labor

Wildlife and Fisheries

\$ **224,000** Projected funding from the Aquatic Plant Control Fund for aquatic weed eradication

\$ **2.2 million** Federal funding for a \$4 bounty on nutria

\$ **3.9 million** Federal funding for various wildlife and fisheries projects

\$ **1.0 million** Federal funding for species monitoring and data collection

\$ **10.0 million** Capital outlay funding for boating access (Federal funds)

\$ **3.4 million** Capital outlay funding for wildlife land acquisition

\$ **1.3 million** Capital outlay funding for a marine fisheries investigations and management laboratory

Other Requirements

\$ **39.2 million** Parish Transportation Fund

\$ **70.4 million** Supplemental Pay for Local Law Enforcement and Fire Personnel

TALKING POINTS ON 2002 BUDGET ACTIONS

BUDGET SUMMARY

First Extraordinary Session of 2002

- The Governor called the Legislature into Special Session on March 25, 2002 to consider his proposals for economic development, education, the Saints-Hornets package and various fee proposals. Numerous local and other items were listed in the session call, which included almost 200 items.
- The economic development package included legislation to provide tax credits and exclusions for technology commercialization, motion picture production, and research and biotechnology start-up equipment. The Quality Jobs Program also underwent extensive revision.
- The estimated direct tax revenue loss of the credits and exclusions enacted in the Special Session is projected by the Legislative Fiscal Office to total \$13 million for FY 02-03 and to grow to \$53 million by FY 06-07.
- The Saints-Hornets package included legislation to change the dedication of one cent of the state sales tax on hotel occupancy in Orleans Parish to direct certain of those monies to fund contractual obligations of the state to those NBA and NFL franchises and to fund Phase IV expansion of the Ernest N. Morial Convention Center and to include NBA teams in the Quality Jobs Program. Appropriations were also made to fund transition costs of the Hornets (\$1,750,000), upgrades of the New Orleans Arena to meet NBA standards (\$10,000,000), and construction of an indoor practice facility for the Saints (\$6,750,000).

(See *Legislation of Fiscal Interest*, page 31 for further detail on these changes.)

Proposed Budget for FY 02-03

- The Executive Budget as submitted to the Legislature reflected the Governor's priorities in education and economic development. These funding priorities included biotechnology and economic development initiatives and various specific allocations for programs at individual higher education institutions, as well as the Economic Development "Deal Closing" Fund, wet lab incubators and other economic development efforts. The proposed budget continued previous initiatives such as the Higher Education Information Technology Initiative, School Accountability, higher education library and scientific acquisitions, K-12 classroom computers and development of e-government capability.

- However, the Executive Budget required substantial reductions in Medicaid and support for state operated health care facilities.
- The Executive Budget also required many agencies to absorb routine increases in costs such as merit increases, inflation, increased premium costs of the State Employees Group Benefits Program, and other unavoidable expenses.
- The Executive Budget, and the General Appropriation Bill as introduced, contained a base budget in balance with the official revenue forecast of \$5.9 billion and a total of \$587 million in supplemental funding that was contingent on renewal of revenue from the 50% limitation on excess itemized deductions, suspension of exemptions on the 4% state sales and use tax, auto rental excise tax, 4 cent per pack cigarette tax, and suspension of the education tax credit.

Regular Session Revenue Actions

- Renewal of the expiring taxes to fund the supplemental section of the budget was the central issue of the session. Efforts to extend the taxes for 10 years with “trigger” mechanism to reduce the excess itemized limitation and certain sales taxes based on revenue growth were unsuccessful.
- The expiring taxes were renewed, with certain reductions, for a total amount of \$563 million.
 - The limitation on excess itemized deductions was renewed for two years. For FY 02-03, the deduction is at 57.5% (a reduction of 15% from the previous 50% level). For FY 03-04, the deduction will be 65% (a reduction of 30%). This reduced the estimated revenue from the renewal from \$90 million to \$76.4 million, a loss of \$13.6 million in FY 02-03. The revenue loss on FY 03-04 is \$36 million.
 - The suspension of exemptions to the state sales and use tax was continued. Exemptions are permanently suspended for the 1% levy (R.S. 47:321). Exemptions for the 2% tax (R.S. 47:302) and .97% tax (R.S. 47:331) are suspended for two years. Automatically suspends the same exemptions from the .03% Tourism Promotion District tax. The .97% and .03% tourism tax, as they apply to food for home consumption and utilities, are reduced by 10% in FY 02-03 and 20% in FY 03-04. The revenue loss from this reduction is \$10 million in FY 02-03 and \$20 million in FY 03-04.
 - The auto rental excise tax was renewed until June 30, 2012.
 - The 4-cent per pack tobacco tax was renewed until June 30, 2012.
 - Suspension of the education tax credit was renewed for four years.
- The Legislature passed the constitutional amendment and statutory provisions for the “Stelly Plan” which would increase state income tax revenue and reduce state sales taxes. The plan would prohibit state sales taxes on food for home consumption, residential utilities, and

prescription drugs and offset that revenue loss by changing personal income tax brackets and eliminating the excess itemized deduction. The proposal will be voted on at the November 5, 2002 statewide election.

- The tax on cigarettes was also increased from 24¢ to 36¢ per pack (Act 19 of 2002 Regular Session) and dedicated to cancer research, smoking cessation, the D.A.R.E. Program, DHH Office of Addictive Disorders, LSU and Southern Agricultural Centers, and State Police. This 12¢ increase will generate \$27 million in FY 02-03 and over \$40 million per year thereafter.
- Numerous tax exemptions, exclusions, credits, and dedications were passed in the Regular Session. The State General Fund revenue loss from these tax changes is projected by the Legislative Fiscal Office to total \$28.5 million in FY 02-03 and grow to \$33.5 million by FY 06-07. These changes include:
 - an exclusion from sales tax for TV digital conversion equipment - (\$1.1 million)
 - a new CAPCO program - (\$2 million)
 - a credit for rehabilitation of certain historic structures - (\$2.5 million)
 - a new severance tax exemption for inactive wells - (\$3.1 million)
 - dedication of insurance license taxes for state police pay raise - (\$15.6 million)

(See *Legislation of Fiscal Interest*, page 31 for further detail on these changes.)

Regular Session Budget Actions

- The Legislature's main budget priority for FY 02-03 was to provide adequate funding for Medicaid and state health care facilities.
- In April the Revenue Estimating Conference recognized additional State General Fund of \$17.4 million for FY 01-02 and \$12.1 million for FY 02-03. In addition, the conference recognized increased revenue from gaming dedicated to the SELF Fund, from "slots at the tracks", and from tobacco proceeds.
- A major component in balancing the budget was also a one-year debt defeasance plan that saved \$23.4 million in debt service costs for FY 02-03. To finance the defeasance, \$23.1 million was reduced from a variety of cash capital outlay projects, including reductions in funding of K-12 classroom computers, higher education biotechnology initiatives, rural roads and bridges, economic development infrastructure fund, and Capitol Complex projects.
- The renewal of taxes, other increased revenue, and savings from the debt defeasance allowed the Legislature to restore the Executive Budget proposed cuts to Medicaid and other health areas, while maintaining most of the higher education and economic development priorities proposed by the Governor. It also allowed funding of the alternative budget proposal submitted by DHH which provided substantial investment in building capacity for community-based initiatives for the developmentally disabled, mentally ill, and elderly, while maintaining the existing base of institutional care.

- As enacted, the General Appropriation Bill (HB 1) was structured with a base budget in balance with the official revenue forecast of \$5.9 billion and a supplemental section supported by \$563 million in revenue from the tax renewals. The supplemental section had been reduced from the \$587 million in the original bill to account for the \$24 million reduction in excess itemized deductions (a reduction of 15%) and sales taxes (a reduction of 10% on one cent of tax).
- Major items included in the supplemental section as enacted by the Legislature included:

\$ 347.8 million	Medicaid (\$1.2 billion in total funding - 27% of total Medicaid budget, affects private providers, developmental centers, charity hospitals, etc.)
\$ 50.2 million	Other DHH agencies, including Mental Health, Developmental Disabilities, Public Health, Medicaid Administration, Addictive Disorders
\$ 20.0 million	Support Personnel pay raise
\$ 19.3 million	Urban and Rural Development funds
\$ 14.2 million	Office of Youth Development Contract Beds
\$ 4.0 million	Higher Education Biotechnology Fund
\$ 2.0 million	Higher Education Performance & Quality Improvement Fund
\$ 7.6 million	Community and Technical College pool funding
\$ 15.8 million	Higher Education Group Insurance payments
\$ 4.3 million	Aid to Independent Colleges
\$ 18.0 million	TOPS (6,857 awards)
\$ 12.8 million	Accountability funding - summer school, tutoring, and school improvement grants
\$ 19.6 million	Supplemental Pay for deputy sheriffs, police and firefighters (28% of total)
- On June 20, 2002 the Revenue Estimating Conference recognized \$563.4 million in revenue from renewed taxes to fund the supplemental section:

\$ 76.4 million	Limitation on excess itemized deductions
\$450.3 million	Suspension of exemptions on 4% sales tax
\$ 4.5 million	Auto rental excise tax
\$ 14.2 million	Tobacco tax
\$ 18.0 million	Education tax credit

Supplemental Funding for FY 01-02

- Due to increased revenue estimates and expenditure revisions, the May budget status statement reflected a balance of \$79 million available to fund budget needs for the remainder of FY 01-02. In addition, savings of \$9.8 million from the Executive Order position freeze, \$6 million from other expenditure reductions, and \$12.8 million through replacement of State General Fund with additional available dedicated funds were available for expenditure.
- This total of \$108 million in available recurring funds in FY 01-02 was appropriated in the special and regular sessions for spending needs including the following:

\$ 9.3 million	State match for FEMA funds for Tropical Storm Allison
\$ 7.2 million	Sheriffs Housing of State Inmates funding shortfall
\$ 5.7 million	Homeland Security costs in Military Dept. and State Police
\$ 3.7 million	Restoration to school systems impacted by MFP formula reduction
\$ 2.4 million	Louisiana Purchase Bicentennial expenses
\$ 1.7 million	Hornets relocation and NBA application costs (Special Session)
\$ 66.8 million	Medicaid FY 02-03 funding through La. Medical Assistance Trust Fund

Nonrecurring Revenues

- Primarily due to collections from the Tax Amnesty Program authorized by the Legislature in 2001, a substantial amount of nonrecurring revenue was available for expenditure for the purposes allowed under the constitution: advance payment of state debt, additional payment on the Unfunded Accrued Liability of state retirement systems, capital outlay, and deposit into the Budget Stabilization Fund.
- The Revenue Estimating Conference recognized \$180.7 million in tax amnesty revenue. Of this amount, \$28.1 million was retained as Self-generated Revenue by the Department of Revenue and the remaining \$152.6 million was designated as nonrecurring revenue. The transfer of \$3 million from the Incentive Fund was also designated as nonrecurring, for a total of \$155.6 million in nonrecurring revenue from FY 01-02.
- The Conference also recognized a \$73.1 million balance from the FY 00-01 as nonrecurring revenue. This amount was determined by comparing actual revenues with actual expenditures for that fiscal year. (Act 107 of the 1st Extraordinary Session of 2002 codifies this process.)
- Of the \$228.7 million total of nonrecurring revenue recognized by the Revenue Estimating Conference, \$57.2 million (25%) will be deposited in the Budget Stabilization ("Rainy Day") Fund as required by the constitution. This left \$171.5 million available for expenditure.
- The \$171.5 million in nonrecurring revenue was used as follows:

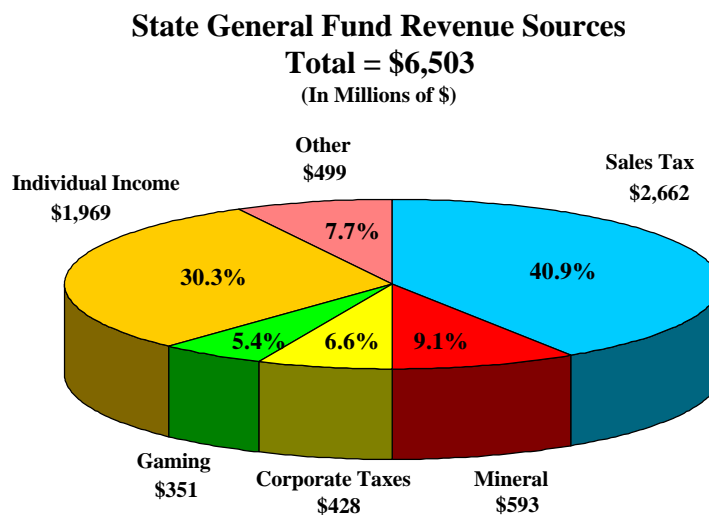
\$ 23.1 million	Debt defeasance for debt service savings in FY 02-03
\$ 16.7 million	Special Session capital outlay appropriations
	\$ 10.0 million Construction of Saints indoor training facility
	\$ 6.7 million Upgrades to New Orleans Arena for Hornets
\$131.7 million	Regular Session capital outlay appropriations including:
	\$ 16.9 million Higher education biotechnology/performance initiatives
	\$ 12.0 million Wet-Lab Business Incubators
	\$ 10.0 million K-12 classroom computers
	\$ 8.7 million Economic Development Awards Program ("Closing Fund")
	\$ 8.0 million Rural Road and Bridge grants
	\$ 2.3 million Public Health Central Laboratory

FY 02-03 State General Fund Revenues

The Official State General Fund estimate adopted on June 20, 2002 is \$6.5 billion. Compared with SGF revenues at the beginning of FY 01-02, SGF estimates for FY 02-03 are some \$90.1 million greater.

Although tax collections were relatively strong during the first several months of FY 01-02, rising unemployment and national economic uncertainty began to show their effects on monthly tax collections during the spring. To a significant extent, the Revenue Estimating Conference had correctly anticipated this slowdown, so its impact in FY 01-02 was minimal. However, given that economic recovery in Louisiana typically lags a national recovery, the official estimate for FY 02-03 reflects a growth of only \$51.3 million over the revised FY 01-02 estimate.

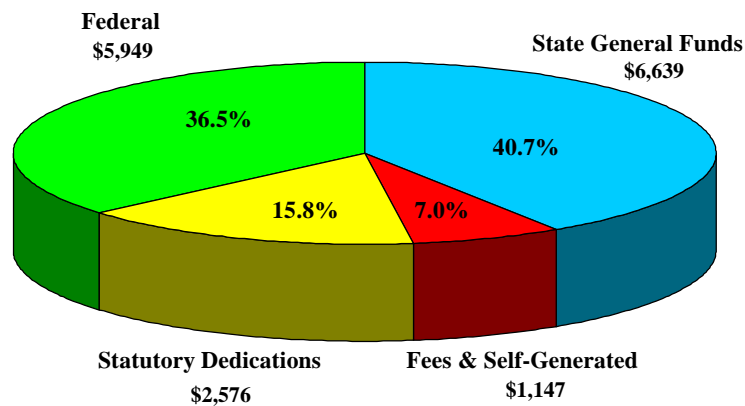
Sales and use taxes, the largest source of State General Fund revenue, are projected to grow only by about 1.5%. The second largest SGF source, individual income taxes, is expected to grow by 6.9%. The growth is offset by lower estimates for oil and gas revenues and almost flat corporate tax collections. Gaming revenue growth is significant. However, most of this growth is dedicated to specific purposes. The pie chart below shows the major sources of SGF revenue.



FY 02-03 Means of Financing

The total state budget from all Means of Financing for FY 02-03 is \$16.3 billion of which \$6.6 billion is from the State General Fund. This amount exceeds the official recurring revenue forecast of \$6.5 billion due to appropriation of \$132 million in nonrecurring prior year revenue for capital outlay. \$1.1 billion is appropriated from Fees and Self-Generated Revenues, \$2.6 billion from Statutory Dedications, and \$5.9 billion from Federal Funds.

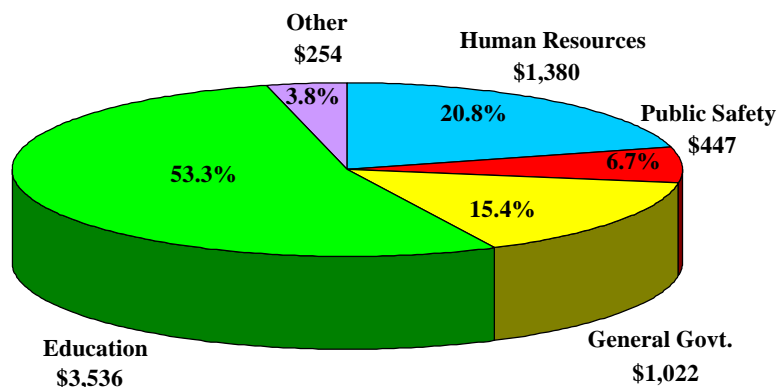
Means of Financing = \$16,311
(In Millions of \$)



FY 02-03 Appropriations

The following pie chart displays State General Fund appropriations of \$6.6 billion for FY 02-03 by major functional areas of state government spending.

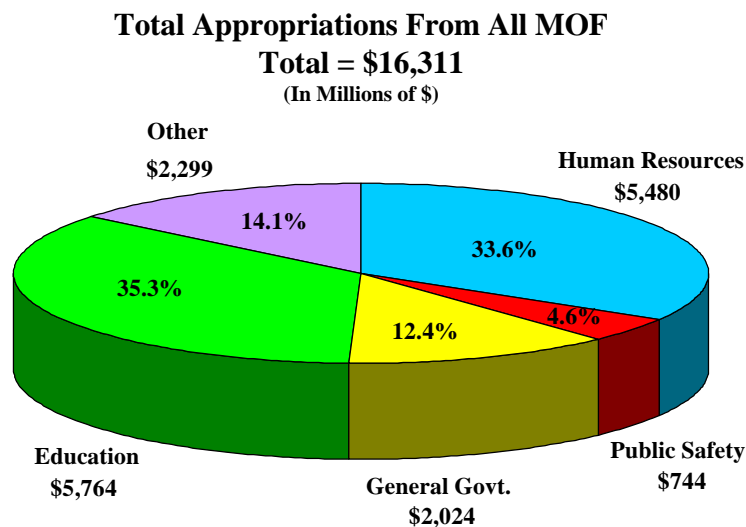
State General Fund Appropriations
Total = \$6,639
(In Millions of \$)



Note: Other includes Economic Development, Culture, Labor, Environment, Natural Resources, Wildlife and Fisheries, Agriculture, DOTD, and Capital Outlay

Of the amount for education, \$2.2 billion is for the Minimum Foundation Program (\$115.8 million more in MFP funding comes from Lottery funds and another \$96.8 million from the SELF Fund) and \$1.0 billion is for Higher Education. Human Resources funding includes \$868 million in State General Fund as state match for the Medicaid Program which makes up 73% of the total \$1.2 billion Medicaid match requirement.

The distribution among functional areas of state government changes when all Means of Financing are included. This is primarily due to inclusion of Medicaid and other Federal Funding in Human Resources, Transportation Trust Fund for Capital Outlay in the Other category, and Self-Generated Revenue from tuition and Federal funding in Education. Total appropriations of \$16.3 billion are distributed as follows:



Note: Other includes Economic Development, Culture, Labor, Environment, Natural Resources, Wildlife and Fisheries, Agriculture, DOTD, and Capital Outlay

Budget Growth

The total state budget from all Means of Financing increased from \$16.1 billion in FY 01-02 (existing operating budget as of 12/20/01) to \$16.3 billion for FY 02-03, an increase of \$212 million or 1.3%. Budget adjustments since December have actually increased the FY 01-02 budget to \$16.3 billion, the same level as the beginning FY 02-03 budget.

State General Fund spending increased from \$6.426 billion in the FY 01-02 existing operating budget (as of 12/20/01) to \$6.639 billion for FY 02-03. This is a growth of \$213 million or 3.3%. However, much of this increase is due to appropriation of \$132 million in nonrecurring revenues from prior years for capital outlay projects. Excluding these one-time funds, the budget growth is about \$80 million, or 1.2% for FY 02-03.

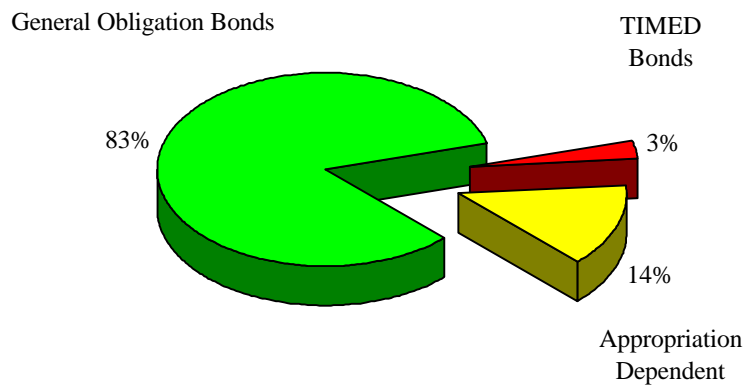
State Debt and Debt Service

Total Outstanding Debt: Since the 1993 Constitutional limitation on issuing new debt, the Legislature has placed a high priority on reducing total outstanding debt. Consequently, total principal and interest on Net State Tax Supported Debt (NSTSD) has fallen from \$6.5 billion in 1993 to \$3.52 billion as of July 1, 2002. This reduction came from two sources: (1) consistent efforts to constrain new bond sales to \$250 million per year or less, and (2) several advance payoffs of bonds including the unemployment debt of \$830 million (1993) and the Louisiana Recovery District (1996).

Debt Service Cost: Debt service has increased since FY 99-00 as the savings from prior debt defeasance plans phased out. Debt service on existing bonds will decline again beginning in FY 03-04. Total debt service on NSTSD debt in FY 01-02 is \$367.1 million. Of this amount, total General Obligation Debt paid from the State General Fund is \$299.4 million (including \$23 million in debt defeasance). For FY 02-03, NSTSD debt service (after \$23 million in FY 01-02 defeasance payments) will be \$390.3 million. Of this amount, the total General Obligation Debt service paid from the State General Fund will be \$306.6 million.

Of the \$3.52 billion principal and interest outstanding, \$2.88 billion is General Obligation Debt. The remainder is composed as follows: Transportation Revenue Bonds - \$98.5 million, Appropriation dependent debt - \$485.9 million, Other Self-supporting debt - \$ 148.7 million.

Sources of Outstanding Debt



Total NSTSD outstanding at the end of FY 01-02 is down slightly from the end of FY 00-01, when the net state tax supported debt was \$3.55 billion.

General Obligation Bond sales in FY 01-02 were \$252,470,000. Although the 2002 Capital Outlay Act allows the state to issue general obligation bonds up to a principal amount of \$662,665,000 for FY 02-03, the budget plan anticipates General Obligation Bond sales of only \$200 million next year.

Other debt financing issues: Three other issues related to debt issuance emerged from legislative and other actions this session. First, House Bill 1 anticipates that the La. Correctional Facilities Corporation will refinance its debt in FY 02-03 for FY 02-03 debt service savings of some \$11.9 million. Second, DOTD plans to move ahead with TIMED revenue bond sales during FY 02-03 of at least \$125 million. Third, Act 46 of the 2002 Regular Session (SB 80) authorizes the issuance of debt financing instruments known as Grant Anticipation Revenue Vehicles (GARVEE) by the State Bond Commission. This financing mechanism allows DOTD to pledge its anticipated federal highway funds as security for highway construction debt. The first of these two items will increase NSTSD outstanding. However, the issue of GARVEE debt is not expected to increase NSTSD since it involves only Federal Funds.

Constitutional Debt Limit. The Constitution requires that in FY 03-04 and thereafter, NSTSD debt service shall not exceed 6% of total revenue projected by the Revenue Estimating Conference. At the end of FY 01-02, this ratio was 4.52%. Based on anticipated NSTSD General Obligation Bond sales of \$250 million annually, this ratio would be about 5% at the end of FY 03-04.

CAPITAL OUTLAY

Act 23 (HB 2), the Capital Outlay Act for FY 02-03, contained appropriations from all Means of Financing of \$3,470,555,948. The bill also limits the total amount of General Obligation Bonds that may be issued to \$662,665,000 (\$163,365,000 carried forward from FY 00-01, \$240,000,000 from FY 01-02, and \$259,300,000 for FY 02-03).

The following table provides the itemization of the Act by all Means of Financing:

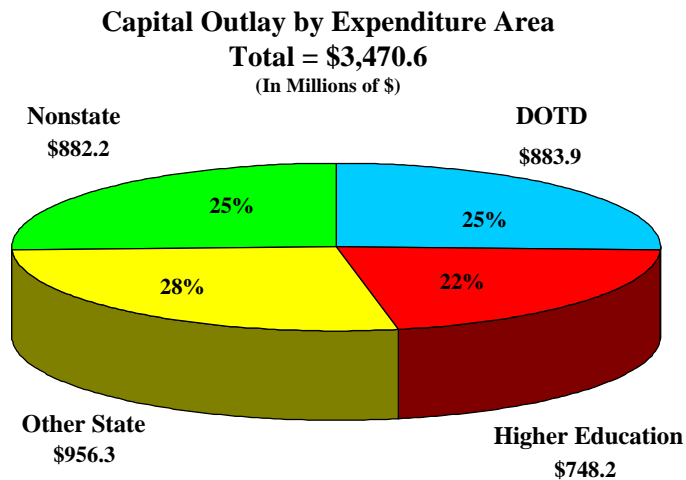
MEANS OF FINANCING	
State General Fund - Nonrecurring Revenue	\$ 131,547,010
Federal Cash	\$ 142,756,919
Federal Cash – TTF	\$ 336,000,000
Transportation Trust Fund	\$ 139,700,000
TIMED Cash	\$ 75,100,000
Other Statutory Dedications	\$ 16,795,000
Fees and Self-generated Revenues	\$ 53,555,391
Reappropriated Cash	\$ 3,971,785
Interagency Transfers	\$ 14,000,000
Revenue Bonds	\$ 265,340,412
Total Cash and Revenue Bonds	\$ 1,178,766,517
General Obligation Bonds	
Priority 1	\$ 640,465,000
Priority 2	\$ 282,345,000
Priority 3	\$ 212,517,941
Priority 4	\$ 229,295,900
Priority 5	\$ 923,975,000
Total General Obligation Bonds	\$ 2,288,597,941
NRP/RBP	\$ 3,191,490
GRAND TOTAL	\$ 3,470,555,948
NRP is the allocation of previously sold bond proceeds. RBP is the appropriation of prepayments of reimbursement contracts.	

Capital Outlay Appropriations by Expenditure Category

DOTD	\$ 883,956,785	25.5%
Higher Education	\$ 748,197,383	21.6%
Other State	\$ 956,251,204	27.5%
Nonstate	<u>\$ 882,150,576</u>	<u>25.4%</u>
	<u>\$3,470,555,948</u>	<u>100%</u>

“Higher Education” does not include Louisiana Health Sciences Center – Health Care Services Division which is shown in “Other State”.

“Nonstate” includes ports, levee districts, parishes, municipalities and other nonstate entities.



LEGISLATION OF FISCAL INTEREST

FIRST EXTRAORDINARY SESSION, 2002

- **Saints/Hornets/Exhibition Hall Package**

Act 152 (HB 103)

The Supplemental Appropriation Act appropriated \$1,750,000 from the State General Fund to the Dept. of Economic Development for costs associated with relocating the Charlotte Hornets to New Orleans.

Act 164 (HB 67)

The Supplemental Capital Outlay Act appropriated \$16,752,800 out of the State General Fund to the Louisiana Stadium and Exposition District for the following projects:

NBA upgrades for the New Orleans Arena	\$10,002,800
Construction of an indoor football practice facility for the Saints	\$ 6,750,000

Act 73 (HB 46)

Changes the dedication of a portion of the revenues from one cent of the state sales tax on hotel occupancy levied in Orleans Parish which were previously dedicated to various special purposes, including the grant program for tourism, economic development, and other activities selected by members of the House of Representatives and Senate from Orleans Parish. Act No. 73 instead allocates \$2 million to the Ernest N. Morial–New Orleans Exhibition Hall Authority and the remainder into the New Orleans Sports Franchise Fund to fund contractual obligations of the state to any National Football League or National Basketball Association franchise located in Orleans Parish. Requires reimbursement to the state from the fund of up to \$1,750,000 to repay the application fee and relocation costs of the Charlotte Hornets. Dedicates the remainder of funds to the New Orleans Area Economic Development Fund for use for the legislative grant program. Changes the allocation from 65% for House members and 35% for Senate members to 50% each for the House and the Senate.

Act 110 (HB 166)

Adds National Basketball Association to the list of industries which qualify for benefits under the Louisiana Quality Jobs Program for any team which relocates to Louisiana and enters into a contract under the program prior to November 1, 2003. The contract shall provide that:

1. No more than \$3,650,000 in credits shall be granted in any taxable year.
2. The salary of any person owning more than 25% of the team shall not be used in calculating the credit.

Act 72 (HB 45)

Authorizes the Ernest N. Morial-New Orleans Exhibition Hall Authority to issue bonds, subject to approval by the State Bond Commission, for the Phase IV expansion. Further authorizes the authority to impose an additional 1% hotel occupancy tax in Orleans Parish and a ¼ of 1% tax on food and beverages sold by any food service establishment within Orleans Parish or in any airport owned by the city of New Orleans, excluding any establishment with less than \$500,000 in gross annual receipts.

- **Special Funds**

Act 137 (HB 132)

The Deficit Elimination/Capital Outlay Escrow Replenishment Fund was established in Act 1185 of the 2001 Regular Session. The difference between the May 14, 2001 official forecast of general purpose revenue for FY 00-01 and the actual collections of such revenue were deposited into the fund and were to be used in the following priority order:

1. \$62,000,000 reserved to pay deficits of the Office of Group Benefits.
2. \$10,000,000 as a partial payment satisfaction of debt owed to the State General Fund by the Health Care Services Division (HCSD) of the LSU Health Sciences Center.
3. Financing of capital outlay projects for which the time has lapsed for sale of bonds.
4. Payment of FY 01-02 deficits of the Office of Group Benefits.
5. Payment of remaining debt to the State General Fund by LSUHSC-HCSD.

Act 137 retains these priorities except changes the allocation for the Office of Group Benefits to \$66,392,430 and the allocation to the Health Care Services Division of the LSU Health Sciences Center to \$68,926,574 and deletes subsequent allocations for those purposes. The bill provides for the remaining balance in the fund after payment of all other obligations to be transferred to the Self-Insurance Fund for prior expenditures paid out of the fund related to road and bridge hazard claims.

Act 154 (HB 158)

The first \$17.5 million of tax proceeds from the .03% sales and use tax collected by the Louisiana Tourism Promotion District is dedicated to the Dept. of Culture, Recreation and Tourism for tourism promotion purposes. \$1.5 million of this dedication was a temporary supplement to the base dedication (\$16 million), which was to expire on July 1, 2003. The Act makes permanent the \$1.5 million supplement, for a total dedication from these proceeds of \$17.5 million per year. The Act also authorizes the appropriation of additional tax proceeds for the same tourism promotion purposes.

- **START Tuition Program**

Act 20 (SB 19)

The Louisiana Student Tuition Assistance Revenue Trust (START) Program is a program administered by the Louisiana Office of Student Financial Assistance and qualified under Section 529 of the U.S. Internal Revenue Code as a mechanism for persons to establish

savings accounts as owners to be used by named beneficiaries to pay the cost of eligible postsecondary education expenses. The Act makes the following changes to the START Program:

1. Expands types of educational expenses for which START account monies may be used.
2. Permits accounts that are invested in equities to be eligible for earning enhancement credits in the same manner as those accounts invested in fixed return investments.
3. With respect to the determination of whether accounts are fully funded, includes tuition and other qualified higher education expenses in amounts used to determine whether an account is fully funded.
4. Revises the definition of "tuition" to delete the exclusion of certain fees and charges.

- **Budgetary Controls and State Budget**

Act 107 (HB 160)

With respect to the determination of a deficit in the state budget, the Act defines certain terms relative to the budget status report which the division of administration is required to present to the Joint Legislative Committee on the Budget (committee) at each meeting, and provides for the presentation of the state comprehensive annual financial report (CAFR) to the committee.

Previously, "deficit" was defined to be the excess for any fiscal year of actual expenditures over actual monies received for any fund at the close of the fiscal year. The Act defines "deficit" to mean "the excess for any year of actual expenditures paid by warrant or transfer over the actual monies received and any monies or balances carried forward for any fund at the close of a fiscal year as reported by the office of statewide reporting." The Act defines "surplus" to be the excess of any fiscal year of actual monies received and any monies or balances carried forward over expenditures paid by warrant or transfer for any fund at the close of the fiscal year as reported by the office of statewide reporting. The Act also defines "balance in any fund" to be the deficit or surplus in any fund at the close of a fiscal year.

With respect to the budget status report, the Act eliminates the required adjustment of such report to reflect the unreserved and undesignated CAFR balance, and instead provides that at the first meeting of the committee after the publication of the CAFR, the commissioner of administration shall certify to the committee the actual expenditures paid by warrant or transfer and the actual monies received and any monies or balances carried forward for any fund at the close of the previous fiscal year. Such certified expenditures and monies received shall be reflected in the budget status report.

Act 111 (HB 168)

Relative to the Louisiana Government Performance and Accountability Act, this Act changes the name of the Exceptional Performance and Gainsharing Incentive Program to the Exceptional Performance and Efficiency Incentive Program. The Act provides for the process by which agencies may submit proposals for rewards to be granted by the Joint Legislative Committee on the Budget from monies appropriated from the Incentive Fund, adding various requirements for information and procedural aspects of the proposal process.

The Act further establishes the Gainsharing Program, whereby state agencies are encouraged to implement gainsharing plans for achievement of efficiencies in their operations which yield monetary savings while at the same time maintaining expected levels of performance. The employees responsible for achievement of gainsharing plans participate in the benefits of the savings. The Act further provides for the process by which agencies may apply for gainsharing authorizations, including review and approval by the commissioner of administration.

- **Individual Income Tax**

Act 146 (HB 170)

Dedicates the individual income taxes collected from nonresident member athletes of the PGA Tour, Inc. to the Sports Facility Assistance Fund.

- **Sales Tax**

Act 3 (HB 104)

Provides for a state and local sales and use tax exclusion on capital expenditures for new research equipment purchased by biotechnology start-up companies.

Act 5 (SB 85)

Excludes expenditures made in connection with motion pictures, videos, television series, or commercials made in Louisiana from state sales and use tax. Expenditures must be at least \$250,000 for all projects in a year.

Act 7 (HB 30)

Provides for a state sales and use tax exclusion for certain custom computer software to be phased in over a four-year period and allows political subdivisions to exempt sales of certain custom computer software.

Act 154 (HB 158)

Extends the \$17.5 million cap on the Tourism Promotion District's dedication beyond the FY 02-03 period. Prior law reduced the cap to \$16 million beginning in FY 03-04. This bill makes the current dedication level permanent.

- **Tax Credits**

Act 8 (HB 105)

Establishes the Technology Commercialization Credit Program which provides a tax credit against income or corporation franchise taxes. The credit is for individuals or businesses that invest, by lease or purchase, in machinery and equipment used in the commercialization of a product or intellectual property owned or research sponsored by a regionally accredited college, technical school, or university located in Louisiana or any product or intellectual property to which significant development or enhancement occurred at a regionally accredited college, technical school, or university located in Louisiana, and for expenditures

associated with obtaining the right to use such product or intellectual property. The credit is equal to 15% of the money invested in technology commercialization. Provides that credits shall be earned and granted for not less than four consecutive years and may be earned and granted for an additional four years.

Act 9 (HB 106)

Authorizes the Dept. of Economic Development to award income or corporation franchise tax credits to qualifying taxpayers in an amount equal to 8% of the state's apportioned share of the taxpayer's expenditures for increasing research activities or equal to 25% of the federal research credit claimed if the taxpayer claims the alternative incremental tax credit pursuant to the Internal Revenue Code.

Act 1 (HB 17)

Provides for an income or corporation franchise tax credit for the employment of residents of Louisiana in connection with the production of a motion picture. The credit shall be 15% of the total aggregate payroll of Louisiana residents employed in connection with such production when total production costs in Louisiana equal or exceed \$300,000 during the taxable year. The credit shall be 20% of the total aggregate payroll of Louisiana residents employed in connection with such production when total production costs in Louisiana equal or exceed \$1 million during the taxable year.

Act 6 (SB 108)

Revises the Motion Picture Investor Tax Credit by granting the credit as a percentage of base investment in a motion picture production company instead of a percentage of investor loss. Revises the definition of "motion picture production company" to mean a company engaged in the business of producing nationally distributed motion pictures, videos, television series, or commercials made in Louisiana.

- **Economic Development**

Act 153 (HB 144)

Revises the Louisiana Quality Job Program Act to provide quarterly rebates to qualified employers who execute rebate contracts with the Dept. of Economic Development. The Act repeals the "basic industry" approach of current law and requires employers to fall within certain specific categories in order to qualify for a contract. Increases the employer-paid health insurance premium requirement and increases the benefit rate upon which the rebate is based to the following percentages:

1. For new direct jobs created which pay at least $1\frac{3}{4}$ times the federal minimum hourly wage, the benefit rate is 5%.
2. For a benefit rate of 6%, the employer's new direct jobs created shall pay at least $2\frac{1}{4}$ times the federal minimum hourly wage and meet certain specified criteria.

REGULAR SESSION, 2002

- **Ad Valorem Tax**

Act (HB 58) -- Constitutional Amendment; Act 55, HB 59 – implementing legislation

Removes the requirement of annual application for qualifying for the special assessment level for certain persons 65 years of age and older.

Act (HB 68) – Constitutional Amendment; Act 57, HB 84 – implementing legislation

Authorizes the State Board of Commerce and Industry, upon recommendation of the Dept. of Economic Development and approval of the governor, the Joint Legislative Committee on the Budget, and the affected local governing authorities, to enter into contracts for exemption of all applicable ad valorem taxes with developers of qualified retirement communities. Each such contract shall be for an initial term of five years and may be renewed for one additional five-year period.

Provides that each contract require that 80% of the property in a qualified retirement community be sold to qualified retirees within three years of the granting of the exemption. Failure to attain or maintain such percentage of qualified retirees shall cause the amount of tax exempted under the contract to become immediately due and payable, and the contract shall be extinguished retroactively to the date of confection.

Defines "qualified retiree" to mean any person over 55 years of age as provided in the Fair Housing Act.

- **Corporate Income Tax**

Act 59 (HB 98)

Allows any insurance holding company that owns at least 80% of a subsidiary property and casualty insurance company (the subsidiary having less than \$20 million of capital and surplus) to deduct the value of its holdings from its corporate franchise tax base. Effective for tax periods ending prior to Jan. 1, 2005.

- **Individual Income Tax**

Act 24 (HB 171)

Limits deductibility of excess federal deductions from state income tax through taxable years ending prior to Jan. 1, 2004. For the next two years, the deduction will be increased as follows:

1. For taxable years beginning after Dec. 31, 2001 and ending before Jan. 1, 2003, the deduction shall equal 57.5% of the excess federal itemized deductions.
2. For taxable years beginning after Dec. 31, 2002 and ending before Jan. 1, 2004, the deduction shall be 65% of the excess federal itemized deductions.

Act 54 (HB 55)

Provides an individual income tax credit equal to 10% of the total amount paid annually by an individual for certain long-term nursing insurance.

Act 25 (HB 238)

Extends the suspension of the \$25 education tax credit for all tax years ending prior to Jan. 1, 2006.

Increases the income tax credit for child care expenses to provide that a resident individual who claims a federal child care tax credit may receive a state child care tax credit based upon the following percentages:

<u>Federal Adjusted Gross Income</u>	<u>Percentage of Federal Credit</u>
\$25,000 or less	50%
\$25,001 to \$35,000	30%
\$35,001 to \$60,000	10%
Over \$60,000	Lesser of \$25 or 10% of the federal credit

The credit shall be refundable for resident individuals whose federal adjusted gross income is equal to or less than \$25,000. If the credit for resident individuals whose federal adjusted gross income is greater than \$25,000 exceeds the amount of such individual's tax liability for the taxable period, then such excess tax credit may be carried forward as a credit against any subsequent individual income tax liability of such individual for a period not exceeding five years.

Act 30 (SB 38)

Authorizes an "S Bank" shareholder to exclude from individual taxable income an amount equal to the portion of the shareholder's S Bank income reported to the IRS which is attributable to the net earnings used to compute the S Bank's share tax for property tax purposes.

- **Sales and Use Tax**

Act 22 (HB 169)

Continues suspension of exemptions to the state sales and use tax for food for home consumption, utilities, and certain other transactions. The exemptions are permanently suspended for the 1% levy provided in R.S. 47:321. The exemptions for the 2% tax (R.S. 47:302) and the .97% tax (R.S. 47:331) are suspended for FY 02-03 and 03-04. Suspension of these exemptions automatically suspends the same exemptions from the .03% tax levied by the Tourism Promotion District. The .97% state tax and .03% Tourism District tax, as they apply to food for home consumption and utilities, are reduced by 10% in FY 02-03 and 20% in FY 03-04.

Act 31 (SB 39)

Exempts the repair, renovation, or conversion of drilling rigs and equipment used exclusively for exploration and development of minerals in Outer Continental Shelf waters from the state and local sales and use tax.

Act 37 (SB 57)

Exempts from local sales and use tax the sale of prescription drugs under the Louisiana Children's Health Insurance Program effective Jan. 1, 1999. Authorizes local governments to exempt the sale of prescription drugs used exclusively by the patient in the medical treatment of various diseases or injuries when administered by a physician, nurse, or other health care professional in a physician's office where patients are not regularly kept as bed patients for 24 hours or more. Further authorizes local governments to exempt the procurement and administration of chemotherapy drugs used exclusively by the patient in his medical treatment if administered by a physician, nurse, or other health care professional in a physician's office where patients are not regularly kept as bed patients for 24 hours or more. Also allows local governments to provide for an amnesty for any person who may have been responsible to collect and remit sales taxes on such transactions.

Act 40 (SB 62)

Defines foreign or interstate coastwise commerce for purposes of state and local sales and use taxes.

Act 42 (SB 71)

Provides for a local sales and use tax exemption for the procurement and administration of cancer-related and chemotherapy prescription drugs used by the patient in his medical treatment when administered by a physician, nurse, or other health care professional in a physician's office where patients are not regularly kept as bed patients for 24 hours or more.

Act 49 (HB 26)

Continues a state sales and use tax exemption for purchases of utilities by certain steelworks and blast furnaces. Effective July 1, 2002 through June 30, 2004

Act 56 (HB 82)

Phases in over four years a local sales and use tax exclusion for certain transactions related to manufactured homes. After Jan. 1, 2006, 46% of retail sales price of a new manufactured home for residential purposes would be taxable and subsequent resale would not be taxable, the same as for the state tax.

Act 61 (HB 124)

Provides for an exclusion from state sales and use tax and a state sales and use tax credit for the initial purchase of certain digital television and digital radio conversion equipment. Authorizes the taxpayer to obtain a sales tax credit for prior purchases of such equipment purchased after Jan. 1, 1999, and prior to the effective date of the Act. Authorizes local taxing authorities to provide exemptions or credits for such equipment.

Act 70 (HB 205)

Excludes from state and local sales and use taxes purchases by nonprofit blood banks and blood collection centers of materials used directly in the collection, separation, treatment, testing, and storage of blood.

Act 71 (HB 207)

Excludes from state sales and use tax purchases by nonprofit blood banks and blood collection centers of apheresis kits and leukoreduction filters

Act 85 (SB 86)

Exempts cellular telephones from state and local sales and use taxes when provided in conjunction with the sale of a cellular service contract

- **Severance Tax**

Act 74 (HB 236)

Provides that production from inactive wells shall be exempt from severance taxes for two years after being returned to service. Applies to wells that have been certified as inactive by the Dept. of Natural Resources between July 1, 2002 and June 30, 2006.

Act 75 (HB 241)

Repeals the severance tax on saltwater shrimp taken in Louisiana waters, and enacts an excise tax applicable to such shrimp and on any shrimp imported into Louisiana.

- **The "Stelly Plan"**

Act (HB 31) – Constitutional Amendment; Act 51, HB 36 – implementing legislation

Reduces the personal income tax brackets and eliminates the excess itemized deduction, and then provides that there shall be no state sales and use tax on food for home consumption, residential utilities, and prescription drugs. Effective Jan. 1, 2003, the rate of state sales and use tax on such items shall not exceed 2%, and after June 30, 2003, there shall be no state sales and use tax on such items.

Current law provides for an individual income tax with the following rates and brackets:

<u>Rates</u>	<u>2% of</u> <u>net income</u>	<u>4% of</u> <u>net income</u>	<u>6% of</u> <u>net income</u>
Single	Up to \$10,000	\$10,000 to \$50,000	Over \$50,000
Joint	Up to \$20,000	\$20,000 to \$100,000	Over \$100,000

House Bill 36 would change the income tax bracket structure in the following manner:

<u>Rates</u>	<u>2% of</u> <u>net income</u>	<u>4% of</u> <u>net income</u>	<u>6% of</u> <u>net income</u>
Single	Up to \$12,500	\$12,500 to \$25,000	Over \$25,000
Joint	Up to \$25,000	\$25,000 to \$50,000	Over \$50,000

- **Automobile Rental Tax**

Act 20 (HB 166)

Extends the 2.5% state and 0.5% local automobile rental tax until June 30, 2012. The local tax collected in Orleans Parish shall be distributed for road repairs and beautification projects. The collections of the local tax in Jefferson Parish shall be distributed as follows:

1. of the tax shall be distributed to the city of Kenner for arts and recreation.
2. of the tax shall be distributed to the Jefferson Performing Arts Society for programs on the east and west banks.

- **Tobacco Tax**

Act 21 (HB 167)

Extends the increase of the tax on cigarettes from 20¢ per pack to 24¢ per pack until June 30, 2012.

Act 19 (HB 157)

Increases the tax on cigarettes from 24¢ per pack to 36¢ per pack and dedicates such proceeds to the LSU Cancer Research Centers in New Orleans and Shreveport, smoking cessation programs, the DARE Program, the Office of Addictive Disorders in the Dept. of Health and Hospitals, the LSU and Southern Agricultural Centers, and the Office of State Police.

- **Vehicle Registration License Tax**

Act 77 (HB 244)

Imposes an additional vehicle registration license tax of \$3.25 per year on boat trailers to be paid once every four years until Jan. 1, 2008, to fund the aquatic plant control program.

- **Insurance License Tax**

Act 83 (HB 266)

Increases the minimum annual license tax on fire, marine, casualty, surety, and other insurers by \$5 and dedicates the proceeds of that increase and any increase in license tax collections over amounts received in FY 00-01 as follows:

Amounts collected in FY 01-02 in excess of collections in FY 00-01:

1. Excess collections up to \$5,750,000 are dedicated for payment of premiums to the Office of Risk Management as appropriated by the legislature.
2. After satisfying the \$5,750,000 requirement, the next \$4,500,000 of such collections are dedicated to meeting increased employer contributions to the Firefighters' Retirement System over the statutorily required 9% for FY 02-03.

3. Next, an additional amount up to \$4,536,000 is dedicated for such payments to the Firefighters' Retirement System, but only if actual collections from taxes, licenses, and fees from all sources comprising the Official Forecast exceed the FY 01-02 Official Forecast adopted by the Revenue Estimating Conference on April 30, 2002.

Amounts collected in FY 02-03 and thereafter in excess of collections in FY 00-01:

1. An amount up to \$15.6 million annually is dedicated to cover state police salary increases and related costs.

- **Tax Credits**

Act 84 (HB 267)

Reinstates and modifies the Louisiana Capital Companies Tax Credit Program (CAPCO). Provides that the commissioner of financial institutions shall not certify a capital company to begin the program later than June 30, 2003, and shall not certify capital later than Dec. 31, 2003. Reduces the insurance premium tax credit from 110% to 100%. The premium tax credit cannot be taken against tax liabilities for two years. The total amount of credits allowed against the premium tax each year is reduced from \$8 million to \$5 million. The total amount of income tax credits for each year is reduced from \$4 million to \$2 million.

Act 60 (HB 122)

Provides for an income and corporation franchise tax credit not to exceed 25% of the eligible costs and expenses for rehabilitation of a historic structure located in a downtown development district for any taxable year. Any unused credit can be carried forward for up to five years. Provides that the tax credit is limited to one \$250,000 credit per structure.

Act 66 (HB 153)

Provides a state income and franchise tax credit for investments in Community Development Entities (CDEs). For the first three years of the investment, the credit is 1% of that share of the invested amount used to make subsequent investments in low-income communities in the state by the CDEs, and 2% for the next four years. Unused credit amounts can be carried forward to future years until exhausted. Aggregate tax credits for all taxpayers are capped at \$5 million per year on a first-come, first-served basis. Tax credits can be taken by investors in the CDEs when the CDE has made qualified low-income community investments itself. No more than 25% of the investments made by CDEs in low-income communities can be in the form of loans. Also, qualified low-income community investments cannot consist of investments secured by any state or federal governmental entity.

Effective for a four-year period from Sept. 1, 2002 through Aug. 31, 2006.

- **Bonds**

Act 46 (SB 80)

Authorizes the issuance of debt financing instruments known as Grant Anticipation Revenue Vehicles (GARVEE) by the State Bond Commission to finance accelerated construction of certain state transportation projects. Provides for pledge of certain federal highway funds as security for the bonds. Limits aggregate amount of principal and interest on such bonds to 10% of annual federal highway funds.

LEGISLATION WITH SIGNIFICANT REVENUE IMPACT

1ST EXTRAORDINARY SESSION, 2002

Explanation	SGF Impact For Fiscal Year (In Millions)				
	02/03	03/04	04/05	05/06	06/07
Sales Tax					
Excludes custom computer software from state sales and use tax. Phases in the exclusion evenly over four years. Authorizes local governments to provide a similar exemption at their discretion. (Act 7, HB 30)	(\$2.5)	(\$5.0)	(\$7.5)	(\$10.0)	(\$10.0)
Excludes capital expenditures for new research equipment purchased by biotechnology companies from state and local sales and use taxes. Eligible firms identified by NAICS codes 541710, 325412, 325414, 334516, and 339112. Effective for four years beginning July 1, 2002, and expires June 30, 2006. (Act 3, HB 104)	(\$1.3)	(\$1.3)	(\$1.3)	(\$1.3)	\$0
Excludes expenditures made in connection with motion pictures, videos, television series, or commercials made in La. From state sales and use tax. Expenditures must be at least \$250,000 for all projects in a year. (Act 5, SB 85)	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)
Extends the \$17.5 million cap on the Tourism Promotion District's dedication beyond the FY 02-03 period. Prior law reduced the cap to \$16 million beginning in FY 03-04. This bill makes the current dedication level permanent. (Act 154, HB 158)	\$0	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)
Corporate Income and Franchise Tax					
Provides 15% tax credit for costs associated with commercializing technology resulting from research sponsored by La. postsecondary education institutions. Eligible costs include machinery and equipment and rights to the technology. Effective for tax years beginning on or after Jan. 1, 2003. Expires Dec. 31, 2006. (Act 8, HB 105)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)
Provides an 8% or 25% tax credit for the state's apportioned share of eligible research expenditures if the taxpayer claims a federal tax credit under 26 U.S.C.A. §41(a). Also provides an 8% tax credit to taxpayers who receive a Small Business Innovation Research Grant from the U.S. Dept. of Commerce, Small Business Admin. These two credits are phased in evenly over four years, beginning with expenditures made in calendar year 2003. Expires Dec. 31, 2006. (Act 9, HB 106)	\$0	(\$2.5)	(\$5.1)	(\$7.6)	(\$10.1)
Adds NBA teams to the list of industries which qualify under the La. Quality Jobs Program if the team relocates to Louisiana prior to Nov. 1, 2002. (Act 110, HB 166)	(\$3.6)	(\$3.6)	(\$3.6)	(\$3.6)	(\$3.6)
Revises the La. Quality Jobs Program. Changes the program from a tax credit program to a rebate program. (Act 153, HB 144)	(\$2.4)	(\$9.4)	(\$14.1)	(\$18.8)	(\$23.5)

Explanation	SGF Impact For Fiscal Year (In Millions)				
	02/03	03/04	04/05	05/06	06/07
Provides a tax credit to motion picture production companies based on aggregate payroll during a year. Eff. July 1, 2002 and expiring June 30, 2006. (Act 1, HB 17)	(\$.5)	(\$1.1)	(\$1.1)	(\$1.1)	(\$1.1)
Provides a tax credit to motion picture production companies based on the level of investment in state certified productions. Eff. July 1, 2002 and expires Jan. 1, 2007. (Act 6, SB 108)	(\$.7)	(\$1.3)	(\$1.3)	(\$1.3)	(\$1.3)
Individual Income Tax					
Dedicates the individual income taxes collected from nonresident member athletes of the PGA Tour, Inc. to the Sports Facility Assistance Fund to be used to support the Compaq Classic Golf Tournament. (Act 146, HB 170)	\$0	(\$.1)	(\$.1)	(\$.1)	(\$.1)

REGULAR SESSION, 2002

Explanation	SGF Impact For Fiscal Year (In Millions)				
	02/03	03/04	04/05	05/06	06/07
Sales Tax					
Continues a state sales and use tax exemption for purchases of utilities by certain steelworks and blast furnaces. Effective July 1, 2002 through June 30, 2004. (Act 49, HB 26)	(\$.8)	(\$.8)	\$0	\$0	\$0
Excludes from state sales and use tax purchases of various types of digital conversion equipment by broadcast television and radio stations. Provides for retroactivity. (Act 61, HB 124)	(\$1.1)	(\$.6)	(\$.6)	(\$.6)	(\$.6)
Exempts from state and local sales and taxes the costs of labor, materials, services, and supplies used to repair, renovate, or convert drilling rigs, and drilling rig machinery and equipment used outside the state's territorial limits. (Act 31, SB 39)	(\$.1)	(\$.1)	(\$.1)	(\$.1)	(\$.1)
Excludes from state and local sales and use taxes purchases by nonprofit blood banks and blood collection centers of materials used directly in the collection, separation, treatment, testing, and storage of blood. (Act 70, HB 205)	(\$.6)	(\$.6)	(\$.6)	(\$.6)	(\$.6)
Excludes from state sales and use tax purchases by nonprofit blood banks and blood collection centers of apheresis kits and leukoreduction filters. (Act 71, HB 207)	(\$.2)	(\$.2)	(\$.2)	(\$.2)	(\$.2)
Defines foreign or interstate coastwise commerce for purposes of state and local sales and use taxes. (Act 40, SB 62)	(\$.1)	(\$.1)	(\$.1)	(\$.1)	(\$.1)

Explanation	SGF Impact For Fiscal Year (In Millions)				
	02/03	03/04	04/05	05/06	06/07
Exempts cellular telephones from state and local sales and use taxes when provided in conjunction with the sale of a cellular service contract. (Act 85, SB 86)	(\$.2)	(\$.2)	(\$.2)	(\$.2)	(\$.2)
Continues suspension of exemptions to the state sales and use tax for food for home consumption, utilities, and certain other transactions. The exemptions are permanently suspended for the 1% levy provided in R.S. 47:321. The exemptions for the 2% tax (R.S. 47:302) and the .97% tax (R.S. 47:331) are suspended for FY 02-03 and 03-04. Suspension of these exemptions automatically suspends the same exemptions from the .03% tax levied by the Tourism Promotion District. The .97% state tax and .03% Tourism District tax, as they apply to food for home consumption and utilities, are reduced by 10% in FY 02-03 and 20% in FY 03-04. (Act 22, HB 169)	\$450.3	\$448.7	\$123.6	\$126.1	\$128.6
Corporate Income and Franchise Tax					
Allows insurance holding company that owns at least 80% of a subsidiary property and casualty insurance company (the subsidiary having less than \$20 million of capital and surplus) to deduct the value of its holdings from its corporate franchise tax base. Effective for tax periods ending prior to Jan. 1, 2005. (Act 59, HB 98)	(\$.1)	(\$.1)	\$0	\$0	\$0
Provides a tax credit for 25% of the costs incurred for rehabilitation of historic structures in certain development districts. Effective for tax periods ending prior to Jan. 1, 2005. (Act 60, HB 122)	(\$2.5)	(\$2.5)	(\$2.5)	\$0	\$0
Provides a tax credit for investments in Community Development Entities (CDEs) that are subsequently used to make investments in low-income communities in the state. The credit is 1% for the first three years, then 2% for the next four years. Aggregate credits are capped at \$5 million per year. Effective from Sept. 1, 2002 to Aug. 31, 2006. (Act 66, HB 98)	(\$1.0)	(\$1.0)	(\$1.0)	(\$2.0)	(\$2.0)
Allows new capital into the CAPCO program until Dec. 31, 2003. Income tax credits are shown at right. (Act 84, HB 267)	(\$2.0)	(\$2.0)	\$0	\$0	\$0
Individual Income Tax					
Provides an income tax exclusion to S-Bank shareholders where net income flows through to the individual shareholders for tax purposes. That income is excluded from state income tax. Effective for tax periods beginning on or after Jan. 1, 2003. (Act 30, SB 38)	\$0	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)

Explanation	SGF Impact For Fiscal Year (In Millions)				
	02/03	03/04	04/05	05/06	06/07
Extends suspension of a portion of the deduction for excess federal itemized deductions. In tax year 2002, a deduction of 57.5% is allowed; in tax year 2003, a deduction of 65% is allowed. (Act 24, HB 171)	\$76.4	\$62.8	\$0	\$0	\$0
Continues suspension of the \$25/child tax credit for four years. Also provides an expanded child care credit based on the income level of the taxpayer. This is expected to reduce state revenue by some \$5.3 million per year. This credit is effective for tax periods beginning on or after Jan. 1, 2003. (Act 25, HB 238)	\$18	\$12.7	\$12.7	\$12.7	(\$5.3)
Severance Tax					
Reauthorizes applications for severance tax exemption on production from the re-entry of inactive wells. The tax exemption is for a two-year period. New applications can be received during the four-year period beginning July 1, 2002 through June 20, 2006. (Act 74, HB 236)	(\$3.1)	(\$2.6)	(\$3.6)	(\$3.9)	(\$3.1)
Insurance Premium Tax					
Allows new capital into the CAPCO program until Dec. 31, 2003. Premium tax credits are shown at right. (Act 84, HB 267)	\$0	\$0	(\$5.0)	(\$10.0)	(\$10.0)
Motor Vehicle Sales Tax					
Extends through June 30, 2004 sunset of a state and local sales and use tax exemption for certain trucks, trailers, and buses. (Act 2, HB 40)	(\$1.0)	(\$1.0)	\$0	\$0	\$0
Tobacco Tax					
Extends a 4¢ per pack tax until June 30, 2012. (Act 21, HB 167)	\$14.2	\$13.9	\$13.6	\$13.4	\$13.1
Levies an additional 12¢ per pack tax on cigarettes, applicable to products purchased after Aug. 1, 2002. Will generate \$27.4 million in FY 02-03 and over \$40 million annually thereafter. Dedicates all of the revenues leaving a "\$0" impact on the State General Fund. (Act 19, HB 157)	\$0	\$0	\$0	\$0	\$0
Auto Rental Excise Tax					
Extends the levy of the short-term automobile rental excise tax through June 30, 2012. The state rate is 2.5% and the local rate is 0.5%. (Act 20, HB 166)	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5
Insurance Premium Tax Dedications – State Police Salary Fund					
Dedicates premium tax collections in FY03 and subsequent years that are in excess of collections in FY01 to a special fund for salary increases and related benefits for members of the state police service. Annual deposits to the special fund from this dedication are capped at \$15.6 million, which will be a loss to the State General Fund. (Act 83, HB 266)	(\$15.6)	(\$15.6)	(\$15.6)	(\$15.6)	(\$15.6)

K-12 EDUCATION

- **\$2.44 billion is appropriated for the Minimum Foundation Program (MFP), an increase of \$54.9 million.**

The FY 02-03 MFP appropriation includes a \$54.9 million increase in state funds over the FY 01-02 MFP. SCR 139 of 2001, the last MFP Resolution adopted by BESE and approved by the Legislature, requires 50% of the increase (after adjusting for new students) to be used only to supplement and enhance full-time certificated staff salaries and retirement benefits. The October 1, 2002 student enrollment is expected to fall to 705,000 students, a decrease from the prior year student count of 714,000. It is expected that some school districts will not have increases in state funds due to loss of students or local revenue.

The \$2.44 billion in funding is provided by \$2.23 billion in State General Fund, \$96.8 million from the SELF Fund to continue teacher pay raises granted in FY 01-02, and \$115.8 million in Lottery proceeds.

- **\$93.7 million is appropriated for TOPS awards.**

The FY 02-03 budget for the Tuition Opportunity Program for Students (TOPS) is \$94 million: \$93.7 million for approximately 37,400 TOPS awards and \$248,000 for TOPS Teacher Loans. This is the first year since the inception of TOPS in 1998 that there has not been an increase in the funding level. Because 1997 high school graduates as well as 1998 graduates were allowed to participate in the first year of implementation in 1998, there were five classes of students in TOPS in FY 01-02. For FY 02-03, there will be four classes. The Office of Student Financial Assistance has projected a FY 02-03 cost of \$100 million for a projected 38,357 awards. College tuition increases will impact the cost of the program as will the number of high school graduates that meet eligibility criteria and the preparedness of TOPS recipients to maintain their awards. The appropriation for TOPS awards is a “more or less estimated” appropriation.

TOPS		
YEAR	AWARDS	COST
FY 98-99	23,551	\$ 54.0 million
FY 99-00	29,078	\$ 67.2 million
FY 00-01	35,566	\$ 89.7 million
FY 01-02 (estimated)	40,227	\$ 103.0 million
FY 02-03 (projected)	38,357	\$ 100.7 million
FY 02-03 (appropriated)	37,400	\$ 93.7 million

- **\$10 million is provided for Computers in the Classroom Program from State General Fund in the Capital Outlay Act.**

Funds will be allocated to the public school systems, special schools, and approved nonpublic schools on a per pupil basis. The funds will be used to purchase computer hardware and software for the classroom.

- **\$20 million is appropriated for a pay raise for school support personnel.**

The legislature added \$8 million to the \$12 million contained in the Executive Budget to provide an estimated \$500 pay raise and related benefits for school support personnel, excluding those paid exclusively with Federal funds. Support personnel at La. School for the Visually Impaired, La. School for the Deaf, La. Special Education Center, La. School for Math, Science and the Arts, New Orleans Center for the Creative Arts (NOCCA), the Southern and LSU Lab Schools, Department of Corrections, and eligible nonpublic lunchroom employees total approximately 38,400. The legislature expressed the intent that this pay increase would be continuing, which will require further action in the next legislative session. (\$11.5 million for a \$300 one-time bonus for support workers contingent on additional revenue was vetoed by the governor.)

- **\$53.3 million in Federal TANF Funds is appropriated for education initiatives as follows:**

\$29.5 million for the LA4 (Prekindergarten) Program

This is the second year of implementation for the early childhood program funded with TANF dollars. Based on applications, the Department of Education expects to serve approximately 6,500 children in combinations of ten-hour, six-hour and four-hour programs. Language in the Department of Social Services appropriation provides that these funds can be reallocated in the event the Department of Education fails to meet 80% enrollment targets in the instructional portion of the program by October 1, 2002. TANF funding for Pre-K was \$15 million in FY 01-02.

\$7 million for dropout prevention and intervention programs

The PreGED/Skills Option Program combines an academic program with skills instruction for students at risk of dropping out of high school as a voluntary, alternative program offered over and above the regular education program. The Option Program should provide an avenue for achieving academically and for ultimately earning recognized academic (GED) skill credentials that will make it possible for them to exit high school, enter postsecondary education and/or the workforce.

\$8 million for high-quality after-school education and enhancement programs

Before school, after-school, and summer programs are envisioned to provide homework assistance, tutoring and remediation, recreation, enrichment, community service and curricula for the enhancement of social and resiliency skills. A minimum of three days of activities per week for at least 10 months will be provided. TANF funding for high quality after-school programs was \$3 million in FY 01-02.

\$4.75 million for child and teen literacy initiatives

Strengthening the involvement of the parent in the educational process of their children through the Home Instruction Program for Preschool Youngsters (HIPPY) and encouraging parents and children to bond around hands-on, interactive literacy activities for math, English and science will reinforce the role of the family. This new initiative will also include activities for middle school students who are one or more grade levels behind to reduce the numbers of eighth grade students failing the LEAP test.

\$4 million for family and adult literacy initiatives

Families Are Making Education 1st (FAME) Program will provide adult literacy training paired with childcare/child literacy activities for single adults and adults with children, birth through 12 years of age. Objectives of this new initiative include: providing educational childcare services, interactive literacy activities between parents and their children, training for parents as the primary teacher for their children and literacy training that leads to economic self-sufficiency.

- **\$43.6 million is appropriated to continue K-12 Accountability Initiatives including the following:**

- 1) Summer School and Tutoring – \$20 million
- 2) Distinguished Educators – \$3.8 million
- 3) Testing – \$14.7 million
- 4) School Improvement – \$5.2 million

- **\$22.2 million is appropriated for Type 2 Charter Schools.**

Of the \$22 million appropriated, \$16.5 million is for existing schools, \$3.6 million is for Belle Chasse of Plaquemines Parish, and \$1.65 million is for the SABIS International Charter School of New Orleans.

- **\$1.5 million increase for New Teacher Mentoring.**

The Blue Ribbon Commission on Teacher Quality recommended expansion of mentoring for new teachers in the La. Teacher Assistance and Assessment Program from one year to two years. Approximately 3,220 new teachers will receive mentoring.

- **\$680,000 is appropriated from the Academic Improvement Fund for the On-Line Database Resources.**

FY 02-03 is the second consecutive year the legislature has funded On-Line Database Resources from the GALE Group and the World Book Online Encyclopedia from the Academic Improvement Fund. The database resources are available to public and nonpublic students and teachers twenty-four hours a day/seven days a week.

- **\$64 million increase in No Child Left Behind (NCLB) Act of 2001 Federal Funds.**

The NCLB Act of 2001 provides for:

- Increased accountability by requiring states to implement statewide accountability systems covering all public schools and students;
- More choices for parents and students by allowing students to attend a better public school within the district and permitting low-income students to use Title 1 funds to obtain supplemental educational services from the public or private sector provider selected by the students and their parents;
- Increasing the federal investment in scientifically-based reading instruction programs in the early grades;
- Combining the Eisenhower Professional Development and Class Size Reduction programs into a new Improving Teacher Quality State Grants program that focuses on using practices grounded in scientifically based research to prepare, train, and recruit high-quality teachers.

- **\$117.2 million from the Education Excellence Fund is appropriated for FY 01-02.**

Due to the sale of 60% of the Tobacco Settlement, a one-time amount of \$1 billion was received by the state in FY 01-02 and deposited into the Millennium Trust. The Constitution mandates that 10% of tobacco proceeds received are deposited into the Education Excellence Fund and are available for expenditure. Except for this 10% portion, only interest earnings from the trust are available for appropriation. House Bill 243, the supplemental appropriation bill, originally allocated the 10% portion solely to public school systems, but Senate amendments adopted by the Conference Committee provided that the 10% portion be allocated 15% to nonpublic schools and the remainder to public and state special schools.

- **\$3.7 million is appropriated for 16 school systems that experienced a MFP funding reduction of \$11 million in FY 01-02.**

The MFP resolution adopted in 2001 (SCR 139) mandated that any funding received by a school system which exceeded the amount needed to provide a \$2,060 pay raise be returned to the state treasury. This reduction impacted 16 school systems and reduced their state funding by \$11 million. The administration agreed to restore one-third of this reduction in HB 243, the FY 01-02 Supplemental Appropriations Bill.

- **\$1 million is appropriated to the La. Educational Television Authority (LETA) for the UNO TELEPLEX.**

This is an increase of \$500,000 over the FY 01-02 amount provided in LETA's operating budget for the digital broadcasting and transmitting center being built on the UNO campus which is to be owned by UNO. In addition, the Capital Outlay Act contains \$1.25 million in State General Fund for the TELEPLEX project.

HIGHER EDUCATION

- **\$6.425 million in State General Fund is appropriated for the Performance and Quality Improvement Pool. Capital outlay funding of \$8.5 million State General Fund is also provided.**

The Board of Regents received this funding for the Performance and Quality Improvement Pool to address performance expectations of higher education institutions and to strategically focus resources on certain research areas. These funds will also likely be used to invest in certain economic development initiatives. There is an additional amount of \$8.5 million in capital outlay for performance and quality improvement.

- **\$4 million in State General Fund is appropriated for the Governor's Biotechnology Initiative and Health Care Workforce Development. Capital outlay funding of \$5.8 million in State General Fund is also provided.**

These monies in the Board of Regents budget will likely be used to spur economic growth through strategic investments in biotechnological areas of research at state universities. There is an additional amount of \$5,785,000 in capital outlay for the Governor's Biotechnology Initiative

- **\$22.5 million in State General Fund is appropriated for continuation of the Governor's Information Technology Initiative.**

This amount continues the same level of funding provided in FY 01-02 for this initiative. \$17.5 million is contained in operating budgets of the various higher education institutions, and \$5 million is provided in the Capital Outlay Act. The Governor's Information Technology Initiative is expected to increase economic development and enhance computer-related research in public universities. The Initiative has three primary elements, including 1) developing technologies that create new companies, jobs, and wealth, 2) developing a highly trained workforce for the IT-intensive workplaces, and 3) exploiting the six targeted technology clusters identified in Vision 2020.

- **The Neurobiotechnology Initiative is appropriated \$2.5 million in State General Fund in the Capital Outlay Act.**

These funds will invest in the Neurobiotechnology Program of Louisiana, a neuroscience-focused research initiative that joins LSU Health Sciences Center-New Orleans, Tulane Health Sciences Center and LSU Health Sciences Center-Shreveport in a collaborative effort. Investments in this area will be focused on Alzheimer's disease, stroke, head injury, drug addictions, and learning disabilities.

- **\$12 million in State General Fund and \$18 million in bond funding is provided for Wet-Lab Business Incubators.**

This State General Fund and Priority 5 bond funding will be provided for planning and construction of wet labs. These laboratories will be equipped for experimentation, testing and basic research using chemical and biological reagents. Areas of focus will include life sciences, environmental research and food technologies. The expectation is that research in these areas of biotechnology will yield new businesses and economic development.

- **\$2.5 million in State General Fund is appropriated for continued funding of the Louisiana Gene Therapy Consortium. \$17.2 million in capital outlay funding is also provided for this initiative.**

Operating funds for the Louisiana Gene Therapy Consortium are appropriated in the base budget of the Board of Regents. The \$2.5 million appropriation for FY 02-03 continues the Consortium at the funding level of FY 01-02. The Louisiana Gene Therapy Consortium is a cooperative endeavor between the LSU Health Sciences Center and Tulane Health Sciences Center. Funding helps with life science research and drug development for certain diseases. The expectation is that this research will yield economic development opportunities through related business development. The Consortium is appropriated capital outlay funding of \$1.8 million in State General Fund, and bond funding of \$9.4 million in Priority 1 and \$6 million in Priority 2.

- **\$7.6 million in State General Fund is appropriated for the Community and Technical College Development Pool.**

The Board of Regents received this funding to address instructional needs of the community and technical colleges in light of anticipated enrollment increases at those institutions. With implementation of the Master Plan, thousands of students are expected to shift enrollment from four-year universities to community and technical colleges. These funds should address financial issues that may occur as a result of the expected enrollment changes. The Board of Regents received \$3 million for this purpose in FY 01-02. The \$7.6 million constitutes an increase of \$4.6 million. There is an additional \$18 million in capital outlay bond funding for repairs and construction at technical college campuses.

- **\$15 million in capital outlay funding is appropriated to higher education for library, instructional, and scientific acquisitions.**

Funding for library, instructional and scientific equipment upgrades will be distributed to public post-secondary education institutions through a plan devised by the Board of Regents. During FY 00-01, higher education received \$15 million for library and scientific acquisitions through the Capital Outlay Act. During FY 01-02, higher education received \$16.4 million in library and scientific acquisitions through non-recurring monies in the Higher Education Initiatives Fund.

- **\$800,000 in State General Fund is appropriated for teacher recruitment and certification efforts.**

The Board of Regents received this funding to enhance recruitment of individuals, especially practicing professionals, into the teaching profession. These funds should help address a shortage of certified teachers throughout the state.

- **\$500,000 in State General Fund is appropriated for homeland security training at the LSU Fire and Emergency Training Institute.**

The LSU Fire and Emergency Training Institute received these funds to increase its training efforts with biohazards and other methods of disaster response. This increased training should help to improve Louisiana's state of preparedness for emergency response.

- **\$300,000 State General Fund is appropriated for operational expenses at the Paul M. Hebert Law Center**

The Paul M. Hebert Law Center received these funds to enhance its level of funding for operational expenses. This increase in State General Fund appropriation coincides with an increase in resident tuition of 15.5% to occur during the upcoming fall semester. That tuition increase was approved by the legislature in Act 139 (House Bill No. 141) of the First Extraordinary Session of 2002.

- **\$10.1 million in State General Fund is appropriated for classified employee merit increases and \$15.8 million in State General Fund is appropriated for Group Insurance costs for higher education institutions.**

Public post-secondary education institutions received a total of \$10.1 million for classified employee merit increases and \$15.8 million for Group Insurance costs for the upcoming fiscal year. Funding of these expenses will increase the formula implementation rate for the institutions while also allowing other operating funds to be used for instructional purposes. This increase in State General Fund appropriation coincides with an annual increase in tuition of 3% to begin during the upcoming fiscal year. That tuition increase was approved by the legislature in Act 1117 (House Bill No. 2007) the 2001 Regular Session.

- **\$18.2 million in Statutory Dedications from the Tobacco Tax Health Care Fund created by Act 19 of the 2002 Regular Session is allocated to health sciences and agricultural centers.**

Act 19 (House Bill No. 157) of the 2002 Regular Session increased the tobacco tax from 24¢ per pack to 36¢ per pack. Funds generated from the increase will be placed into the Tobacco Tax Health Care Fund and allocated to certain public agencies. \$11.5 million is allocated to the LSU Health Sciences Center-New Orleans for cancer research and a mass media smoking prevention program. \$4.5 million is allocated to the LSU Health Sciences Center-Shreveport for cancer research. \$1.3 million and \$1 million, respectively, are allocated to the LSU

Agricultural Center and the Southern University Agricultural Center for general operating expenses.

- **Total capital outlay funding of \$813 million is provided for higher education institutions and initiatives.**

This amount includes funding of \$748 million for planning, construction, renovation, and equipment and property acquisitions for higher education institutions. Also included is \$18 million for technical college major repairs funded in the Division of Administration and \$17.2 million for the Gene Therapy Consortium and \$30 million for Wet-Lab Business Incubators funded in the Department of Economic Development.

Cash and bond funding of the \$813 million amount includes the following:

\$ 64.8 million	State General Fund nonrecurring revenues
\$ 28.8 million	Fees and Self-generated Revenues
\$ 20.4 million	Federal Funds
\$118.0 million	Revenue Bonds
\$222.6 million	Priority 1
\$ 79.7 million	Priority 2
\$ 25.4 million	Priorities 3 and 4
\$253.4 million	Priority 5

HEALTH AND SOCIAL SERVICES

Medicaid

- **Medical Vendor Payments for health care services in FY 02-03, compared with FY 01-02, grow by 3.5%, while state funds for Medicaid services decline by 0.2%.**

Medical Vendor Payments for health care costs for FY 02-03 is \$4.273 billion. Compared with the current budget of \$4.128 billion, this is a growth of \$145 million. State matching funds decline by 0.2% due to a more favorable Federal match rate. Payments to private health care providers grow by 5%, accounting for \$139.8 million of the overall growth. Payments to state facilities for Medicaid and Uncompensated Care increase by only \$1.5 million compared to FY 01-02, and Medicare Buy-in costs increase by \$4 million.

- **\$159 million is added by legislative amendment to avoid Medicaid rate reductions to private health care providers.**

Executive Budget funding for Medical Vendor Payments would have required 15% cuts to hospitals and nursing homes, as well as a variety of other reductions affecting current health care services. To avoid these reductions, the administration and the Legislature provided additional funds to avoid these cuts. About 1/3 of the state match for these additions came from higher revenue estimates in FY 01-02 and FY 02-03. The remainder came from a variety of sources within DHH or other areas. With this additional money, funding for Medicaid and LaCHIP will be sufficient to avoid reductions in current provider rates.

Beyond these restorations, only a handful of targeted rate increases or service expansions were possible. These included the following:

- **\$6.1 million is added for 325 additional MR/DD waiver slots and for 100 slots in a new capped expenditure waiver program for adults to be developed by DHH.**

The additional waiver slots are the first added in two years. The new adult waiver offers services for additional persons, but is expected to cap per person expenditures at \$25,000 per year. DHH expects to develop the details of this program over the next several months and open eligibility sometime in the spring of 2003.

- **\$27.2 million is added for inflationary rate adjustments for nursing homes.**

Nursing home inflationary adjustments of up to this amount will be financed with an increase in the nursing home provider fee (bed fee) that is paid by all nursing home residents. The expected increase in this fee is about 70¢ per day. If the current state plan authorizes a lesser adjustment due to lower inflation impact, then this payment and the fee would be adjusted downward.

- **\$3.5 million is added for increased rates for dental services covered by the EPSDT program for children.**

This rate increase amounts to approximately 10% of current payments for these services. Rates for these services were last increased in FY 00-01, and DHH has had some difficulty in getting dentists to accept Medicaid/LaCHIP eligible children as patients. This rate adjustment should improve the willingness of dentists to treat these children.

- **\$849,000 is provided to increase rates paid for non-emergency transportation services provided by certified ambulance operators.**

This increase is part of a continuing effort to make Louisiana Medicaid rates comparable to those that are paid by surrounding states and Medicare. This amount is approximately a 9.6% increase.

- **\$1.4 million is provided to increase rates paid for emergency transportation services provided by certified ambulance operators.**

This increase is part of a continuing effort to make Louisiana Medicaid rates comparable to those that are paid by surrounding states and Medicare. This amount is approximately a 7.5% increase.

- **\$16.3 million is provided to continue the expansion of the new CommunityCare program and pay management fees to participating physicians.**

This new program was started in the spring of 2002 to provide a primary care “medical home” for Medicaid and LaCHIP eligibles. Doctors who participate are paid higher rates for office visits and a \$3/month per patient management fee. This program is expanding and should be statewide by the fall of 2003.

- **\$17.7 million is added for expenses anticipated from a major revision (the MR/DD waiver rewrite) to the covered services and rates paid under the MR/DD waiver program.**

This waiver rewrite has been in the planning process for the past year. These monies will be used: (1) to provide additional types of care services that are not now covered by the waiver program; and (2) to increase rates paid to providers, many of which have not had rate increases in over five years. Although certain interim rate increases are authorized beginning in July, most of these changes will not be implemented for several months after the beginning of the fiscal year.

- **\$1.7 million is provided for rate increases for physical, occupational, speech/language, and hearing therapy services for children under age three.**

- **\$4.2 million is provided to increase rates to physicians for new patient office visits to 65% of the rates paid by Medicare.**

This rate adjustment takes effect in January 1, 2003. Funding for this rate adjustment is in the supplementary budget section of Act 13, the General Appropriation Act.

- **\$5.2 million is included for expansion of Medicaid and LaCHIP to cover pregnant women with family incomes up to 200% of the Federal Poverty Level.**

This eligibility expansion will become effective in January 2003. It will cover prenatal care for women whose children are eligible for Medicaid/LaCHIP coverage. It is an important part of DHH's effort to expand primary care among the poor and uninsured in the state.

- **\$16.9 million is added for Behavioral Management services, beginning in September 2002.**

These services are new. They are required as part of the settlement with plaintiffs of the Chisholm Lawsuit, which requires DHH to expand services to the lawsuit's class members (persons under age 21 who have a group of disorders known as "pervasive developmental disorders"). The budget provides that these services shall not begin until September 1.

- **\$21 million is included for Personal Care Attendant (PCA) services beginning in October 2002.**

These PCA services are part of DHH's settlement of the Barthelemy lawsuit. PCA services previously have been available only to MR/DD waiver program clients and when prior-authorized. The federal Medicaid authority has pressed DHH to make these services part of the state Medicaid plan, which would make them available to any Medicaid or LaCHIP client when medically necessary. DHH is negotiating with federal Medicaid authorities to provide these services through a waiver that would limit access.

- **\$1.5 million is added for expanded Medicaid Payments to state facilities.**

This increase represents less than one percent of the total budgets for these agencies. In large part, growth is limited due to DHH's intended shift toward community care instead of inpatient care for mental health services and care for MR/DD persons. Much of this community care does not qualify for Medicaid or Uncompensated Care Payments. Consequently, DHH is closing some beds for adolescent and children at the Office of Mental Health (OMH), so payments for these inpatient hospital services will be less. However, as discussed below, there are significant increases in outpatient services, which are financed primarily with State General Fund money.

- **\$9.6 million is added for Medicaid administration, especially for monitoring effectiveness of new programs and the Nursing Home case mix method of payment. Specific increases include the following:**
 - **\$2,520,000** Professional Services associated with the Preferred Drug Program
 - **\$1,600,000** Fiscal Intermediary costs for the Preferred Drug Program
 - **\$490,000** Implementation of ICAP evaluation program for institutionalized clients
 - **\$224,000** Outreach and enrollment for expanding LaCHIP to pregnant women with family incomes up to 200% of federal poverty level
 - **\$1,166,000** CommunityCARE access and outcome monitoring
 - **\$2,576,000** HIPAA implementation costs (Federal Health Insurance Portability Act)
 - **\$1,050,000** Costs associated with application and continued development of the nursing home case mix methodology
- **\$4.15 million of additional funds in DHH – Office of the Secretary for health care grants and other purposes, including:**
 - **\$750,000** For implementing grants and other assistance pursuant to Act 162 of the 2002 1st Extraordinary Session (rural health initiatives)
 - **\$1,900,000** Federal funds to develop a hospital bioterrorism response plan
 - **\$1,500,000** Federal Funds for the Louisiana Assistive Technologies Access Network

Public Health

Total funding for the Office of Public Health is \$248,080,311, which is \$5.85 million or 2.4% greater than its budget at the end of FY 01/02.

- **Restored funding for state collection and transportation of local water system samples for safe drinking water testing.**

The restoration of \$900,000 and 25 positions to the Environmental Health Services program maintains existing state safe drinking water services for local water systems. DHH's alternate budget proposal would have eliminated funding for the collection and transportation of these local water system samples.

- **Restored funding for the Louisiana Genetics Disease Program.**

The restoration of \$1.8 million maintains existing sickle cell and laboratory and treatment services that were eliminated by DHH's alternate budget proposal. The proposal would have limited funding for the program to treatment services for PKU newborns.

- **Restored funding for hemophilia services.**

The restoration of \$2.6 million, of which \$1.2 million is State General Fund, maintains existing hemophilia services. This program benefits recipients in two ways. First, these services are designed to improve the health of the hemophiliac, thus reducing the number of

emergency room visits. Second, this improvement in health enables the hemophiliac to maintain gainful employment. DHH's alternate budget proposal would have eliminated funding for hemophilia services.

- **An additional \$200,000 is appropriated for encephalitis testing by the LSU School of Veterinary Medicine.**

OPH was appropriated \$100,000 in FY 01-02 for transfer to the LSU Vet School for encephalitis testing. The final budget passed by the Legislature provides an additional \$200,000 for the agency to transfer to LSU for this purpose, for total funding of \$300,000 for encephalitis testing in FY 02-03.

- **Funding is provided to prepare for the transfer of the ChildNet Program from the Department of Education to DHH - Office of Public Health (OPH).**

\$764,810 is provided for three positions that will be used to plan and coordinate the transfer of the ChildNet Program from the Department of Education to OPH. This transfer is expected to be completed by July 1, 2003. The Governor has requested the transfer since the state received a federal monitoring report recently indicating areas of serious and systemic non-compliance in the program, namely in monitoring service providers.

- **\$3.9 million is appropriated to annualize funding for Louisiana's bio-terrorism initiative.**

OPH received funding via BA-7 in October 2001 for laboratory equipment and emergency preparedness staff in the event of a bio-terrorist attack on Louisiana. The final budget passed by the Legislature provides \$3.9 million for annualized costs of this initiative.

- **Capital outlay funding is provided for a new state public health laboratory.**

OPH has requested funding for a new public health laboratory for many years. Given the terrorist attacks of September 11, 2001, and the deplorable condition of the current lab, the Legislature has appropriated \$23 million in the Capital Outlay Act for a new lab. Of this amount, \$2.3 million is State General Fund, and \$20.2 million is in Priority 5. A new laboratory will be constructed at the University of New Orleans Research and Technology Park.

Mental Health

Total FY 02-03 funding for state mental health agencies is \$245,903,281, which is \$17.3 million or 7.6% greater than the mental health budget at the end of FY 01-02. A significant part of this increase results from \$7.9 million in additional funding for crisis intervention services, new medications, and assertive community treatment teams in each area. The remaining \$9.4 million is used to fund new and existing services, including Group Benefits rate adjustments (\$2.8 million), early childhood intervention (\$3.7 million), and annualization of block grant funds to

meet federal performance reporting requirements (\$100,000) and a Civil Service pay plan for lower-salaried employees (\$348,000).

- **Funding is provided for child and family mental health services.**

The final budget passed by the Legislature appropriates \$700,000 for child and family mental health services to seriously mentally ill children under the age of five for FY 02-03. These services focus on mental health supports for at-risk children 0-5 years of age and their families.

- **Funding and positions are provided to the Mental Health State Office for the prior authorization process currently handled individually by each area.**

The prior authorization process usually involves inpatient hospitalization in a state mental health facility. DHH must approve admissions into these facilities. The budget for FY 02-03 transfers \$522,563 in funding and positions from the mental health areas to the State Office for this purpose.

- **\$7.9 million is provided for crisis intervention services, new medications, and assertive community treatment teams in mental health.**

Funding is appropriated for crisis intervention services (\$4.1 million), new medications (\$2.2 million), and assertive community treatment teams (\$1.6 million) in the three mental health areas to reduce inpatient hospitalization among children and adults. The Executive Budget did not recommend funding for these services. The funding was a result of the recommendations made in DHH's alternate budget proposal.

- **\$18.9 million is allocated for capital outlay projects in the state mental health agencies.**

The state mental health agencies are in need of various capital improvements. These improvements include fire alarm system upgrades, air conditioning and elevator repair/replacement, chiller replacements, and remediation of contaminated soil. Of the \$18.9 million appropriated in the final Capital Outlay Act, \$955,000 is State General Fund, \$4.7 million is in Priority 1, \$3.3 million is in Priority 2, and \$7.3 million is in Priority 5 bond funding.

Developmental Disabilities

Total FY 02-03 funding for state developmental disability agencies is \$223,181,977, which is \$18 million or 8.8% greater than the existing operating budget for those agencies as of December 20, 2001.

- **The Office for Citizens with Developmental Disabilities is budgeted at \$36,743,177, which is \$2.2 million, or 6.2%, greater than the agency's existing operating budget as of December 20, 2001.**

The increase in OCDD includes \$4.9 million in community capacity building, which will assist the agency in moving toward community-based care. Also, the final budget passed by the Legislature appropriates \$500,000 for inclusive child care and parental training for disabled children under three years of age.

- **Developmental center funding totals \$186,438,800, which is \$15.9 million or 9% greater than the developmental centers' budget as of December 20, 2001.**

The \$15.9 million increase is additional funding for new services and annualizations. New budget items to receive funding are the Group Benefits rate adjustments (\$2.2 million), specialized medical resource centers (\$800,000), assertive community treatment teams (\$1.2 million), consumer and family training (\$248,000), the inclusive child care and parental training for disabled children under three years of age (\$500,000), and merit increases (\$4.8 million). The remaining portion of this additional funding is used to annualize other ongoing expenses (\$2 million) and the civil service pay plan for lower-salaried employees (\$4.7 million).

Developmental Disabilities	FY 01-02 (As of 12/20/01)	FY 02-03 Appropriated	Change
OCDD	\$34,587,522	\$36,743,177	\$2,155,655
Metropolitan DC	\$28,267,450	\$30,994,452	\$2,727,002
Hammond DC	\$32,291,993	\$36,828,283	\$4,536,280
Northwest DC	\$14,234,763	\$15,271,207	\$1,036,444
Pinecrest DC	\$78,234,386	\$83,824,825	\$5,590,439
Ruston DC	\$7,310,482	\$8,095,940	\$785,458
Southwest DC	\$10,235,772	\$11,424,093	\$1,188,321
TOTAL	\$205,162,368	\$223,181,977	\$18,019,609

- **\$17.6 million is allocated for capital outlay projects in the developmental centers.**

The developmental centers are in need of various capital improvements. These improvements include electrical, fire alarm, sprinkler system, telephone transformer, hot water system, sewer plant, air conditioning, and emergency power generator systems upgrades and/or replacements. Of the \$17.6 million appropriated in the final Capital Outlay Act for FY 02-03,

\$80,000 is State General Fund; \$8.9 million is in Priority 1, \$4.1 million is in Priority 2, and \$4.5 million is in Priority 5 bond funding.

Addictive Disorders

Total funding for the Office for Addictive Disorders (OAD) is \$65,819,972, which is \$7.13 million or 9.8% lower than its budget at the end of FY 01-02. This reduction is due in large part to the transfer of \$8.1 million in funding for drug court treatment services to the Supreme Court, and slightly lower funding for compulsive gambling clinics and treatment services for court-ordered third and subsequent DWI offenders.

- **Restored \$2 million for treatment services for court-ordered third and subsequent DWI offenders.**

Act 1163 (HB 665 by Odinet) of the 2001 Regular Session allows courts to sentence third and subsequent DWI offenders to home incarceration with substance abuse treatment in lieu of jail time. The \$2 million restoration in the final budget passed by the Legislature for FY 02-03 provides for inpatient and outpatient substance abuse treatment services for offenders during the period of home incarceration. Initially, DHH elected to eliminate the program in response to recommended Executive Budget cuts. However, this \$2 million was restored as part of DHH's alternate budget proposal. Compared to FY 01-02, funding for the program has been reduced by approximately \$200,000.

- **TANF funding of \$4 million is provided for substance abuse treatment services for women with children.**

This \$4 million in Interagency Transfers from TANF provides for non-medical substance abuse treatment services for women with dependent children, and drug screening, assessment, referral, and treatment costs to Family Independence Temporary Assistance Program (FITAP) and Kinship Care Subsidy Program (KCSP) recipients. These services were also funded at this level in FY 01-02. The DHH alternate budget proposal sought to continue funding for these services at \$2 million less for FY 02-03. However, this money was restored during the budget process.

- **Carry-forward of \$1 million in Statutory Dedications provides for start-up funding for compulsive gambling clinics.**

The final budget passed by the Legislature for FY 02-03 provides a carry-forward of \$1 million in start-up funding for compulsive gambling clinics. \$1.5 million was appropriated for this purpose for FY 01-02 by Statutory Dedications out of the Compulsive and Problem Gaming Fund. Southern University teamed with the agency to complete a needs assessment study that was required before the clinics could be opened, but the parties were unable to complete the study timely. Now that the study has been completed, OAD has a plan to begin rendering services from a temporary site in New Orleans in September 2002.

- **Added \$2.3 million in additional operating expenses.**

OAD was appropriated \$2.3 million in additional operating expenses due to the enactment of Act 19 (HB 157) of the 2002 Regular Session (12¢ increase in tobacco tax).

- **Transfer of funds for drug court treatment services to the Supreme Court.**

In FY 01-02, \$9.6 million (\$8.1 million State General Fund; \$1.5 million federal block grant for inpatient substance abuse treatment services) was appropriated to OAD for transfer to the Supreme Court for drug court treatment services. In addition, the Supreme Court received a \$5,000,000 Interagency Transfer from DSS-TANF for the drug court program. The Supreme Court, in turn, contracted with OAD for some drug court services. The budget for FY 02-03 appropriates \$8.1 million in State General Fund directly to the Supreme Court. However, OAD will still receive a \$1.5 million federal block grant to provide inpatient substance abuse treatment services for adults and juveniles enrolled in the drug court program. In addition, the Supreme Court will once again receive a \$5,000,000 Interagency Transfer from DSS-TANF for these services in FY 02-03.

- **\$1.5 million is allocated for dormitory planning and construction at the Pines Treatment Center.**

The Pines Treatment Center, a state operated 40-bed inpatient treatment facility for chemically dependent clients in Shreveport, is in need of renovation and/or replacement of its patient dormitory. Of the \$1.5 million appropriated in the final Capital Outlay Act for FY 02-03, \$900,000 is State General Fund, and the remainder in bond funding: \$125,000 is in Priority 1, and \$500,000 is in Priority 5.

State Prisoner Health Care

- **\$20.5 million is provided for state prisoner health care for which Federal Funds can no longer be used.**

The federal government has suspended its funding for state prisoner health care due to the Omnibus Budget Reconciliation Act of 1993. According to this legislation, inmates of correctional facilities are wards of the state. As such, the state is obligated to cover their basic needs (food, housing, and medical care) because failure to do so would be in violation of the eighth amendment of the Constitution. Therefore, because these individuals have a source of third party coverage, they are not uninsured, and the state cannot make DSH payments to cover their costs of care.

This \$20.5 million will cover the various costs associated with state prisoner health care which include cost reimbursement for hospital/clinic costs, physician services, and HIV drugs. Of this amount, \$17.3 million has been allocated to the LSU-Health Care Services Division to use in the state's charity hospitals. The remaining \$3.2 million is allocated to the LSU-Health Sciences Center in Shreveport for these purposes.

- **\$50 million is allocated for capital outlay projects in the charity hospitals.**

Many of the charity hospitals are in need of various capital improvements which include medical equipment and acute care facility upgrades, ADA compliance measures, fire alarm system replacements, sprinkler system installments, a maintenance building relocation, and completion of a storage building. Of the \$50 million appropriated in the Capital Outlay Act for FY 02-03, \$547,000 is from Fees and Self-generated Revenues, \$5.3 million is from Revenue Bonds, \$2.2 million is in Priority 1, \$5 million is in Priority 2, \$5.9 million is Priority 3, and \$31 million is in Priority 5. (\$142 million in Revenue Bonds for a critical care tower at Charity Hospital which has been included in the Capital Outlay Budget for several years).

Social Services

- **\$8.5 million for the gubernatorial reduction of 270 positions (\$8.2 million State General Fund)**
- **\$500,000 of the Child Care and Development Block Grant to be transferred to the Department of Health and Hospitals, Office for Citizens with Developmental Disabilities, for inclusive child care and parental training services for disabled infants (Federal)**

TRANSPORTATION

Transportation funding at both the state and federal levels are expected to decline in FY 02-03. At the state level, the decline is the result of smaller unspent fund balances in the Transportation Trust Fund and reduced fuel tax collections due to a slow economy. At the national level, TEA-21 allocations of Highway Trust Fund money will be less. Consequently, there are few new initiatives in DOTD for FY 02-03.

- **A \$9.0 million overall REDUCTION in total DOTD operating budget spending will be partially offset by carry-forward funds.**

The areas affected by this decline are operating services and supplies (\$15.6 million), other charges (\$15.5 million) and acquisitions (\$6.3 million). While some of these reductions will be offset by a carry-forward of unspent funds from FY 01-02, this carry-forward is not expected to eliminate these reductions.

- **\$21.9 million is shifted from other DOTD spending areas to fund personnel costs, with almost \$11.9 million of this for related benefits payments for health insurance for current employees and DOTD retirees.**

Personnel costs in FY 02-03 increase although the total authorized positions decline by 69. Salary costs increase by about 6.2% and related benefits increase 24.1%. The biggest factor affecting the related benefits cost is the increased state share of health premiums and the large number of retirees for which DOTD pays premiums. Salary costs in FY 01-02 have also been higher than originally budgeted.

- **\$1.2 million is appropriated as pass through funding for local public works authorities.**

Entities and amounts included are the following:

- \$100,000 Poverty Point Lake Commission (No change from FY 01-02)
- \$200,000 Amite River Basin operating (No change from FY 01-02)
- \$150,000 Fifth Levee District operating (No change from FY 01-02)
- \$200,000 Millennium Port (No change from FY 01-02)
- \$100,000 Monitoring Alexandria wells (No change from FY 01-02)
- \$451,700 Louisiana Airport Authority (\$231,700 increase from FY 01-02)

- **A \$6.9 million decrease in contract maintenance for mowing, routine maintenance, and rest area maintenance and security will be largely offset by carry-forward funds.**

Most of this reduction will be offset with carry-forward funds from FY 01-02, since these contracts do not match the state fiscal year. However, the net reduction will still be about \$400,000, or about 1.8% compared to FY 01-02.

- **\$9.1 million is appropriated for continued improvements in information technology, planning, and management of DOTD activities. Significant items include:**

- \$4,950,735 Implementation of Maintenance Management System upgrades (\$3.4 million expansion over FY 01-02)
- \$1,239,940 IT upgrades and data development (new)
- \$1,000,000 State Transportation Plan update
- \$900,000 Updates of regional planning models
- \$500,000 Safety planning
- 225,000 Real Estate Computer Consulting Contract (new)
- 320,000 Local technical assistance (new)

- **\$200,000 REDUCTION in State General Fund appropriations for the General Aviation and Reliever Airport Program leaves this program without funding for FY 02-03.**

This program has provided matching grants to smaller airports for routine maintenance for three of the past four years. However, no funds will be available for new grants in FY 02-03.

- **\$1.3 million for landscape and beautification projects on roadways maintained by the Crescent City Connection Division (CCCD) of DOTD.**

CCCD has a statutory mandate to maintain and beautify these roadways. This is a \$186,000 increase over planned expenditures for this year.

- **DOTD Managed Capital Outlay Projects**

DOTD will manage some \$884 million of capital projects through statewide priority programs and other capital outlay appropriations. These include:

Highway Priority Program	\$	437,100,000
TIMED Program	\$	75,100,000
Statewide Flood Control Program	\$	10,000,000
Port Construction and Development Program	\$	20,000,000
Aviation Improvements Program	\$	5,960,000
Hazard Elimination Projects	\$	14,000,000
All Other Projects (Cash and Bond)	\$	321,797,000
Total DOTD Managed Construction Projects	\$	883,957,000

- **Highway Priority Program**

The table below compares DOTD's spending allocations for the highway priority program for FY 01-02 and FY 02-03.

Allocation of Highway Priority Program Spending		
\$ Million		
	FY 01-02	FY 02-03
Preservation Projects		
Non-Interstate (Pavement)	\$ 150	\$ 125.0
Interstate (Pavement)	\$ 50	\$ 50.0
Bridge (On System)	\$ 87	\$ 88.1
Bridge (Off System)	\$ 21	\$ 15.0
Operations Projects	\$ 33	\$ 28.5
Safety Projects	\$ 47	\$ 44.1
Capacity Expansion Projects		
Regular Program	\$ 111	\$ 114.7
TIMED Program	\$ 72	\$ 70.0
Other Projects		
Federal Enhancement Projects	\$ 11	\$ 11.0
Urban Systems, Construction Mitigation and Air Quality	\$ 56	\$ 49.5
Federal Earmarks and Demonstration Projects	\$ 22	\$ 27.5
TOTAL	\$ 660	\$ 622.9

- **Other priority programs**

DOTD will use cash management to control total outlays for the state's port and flood control priority programs. The Port Construction and Development Program appropriation of \$20 million will be used to support existing projects and authorize new projects not to exceed \$20 million. The Statewide Flood Control Program appropriation of \$10 million will continue existing projects and allow new project starts of up to \$10 million. The State Aviation Improvements Program will receive TTF funds of \$5 million for continuing and new projects, and bond funds of \$960,000 for FY 02-03.

MILITARY AND VETERANS AFFAIRS

Military Affairs

- **\$1.4 million was appropriated for expenses related to Homeland Security.**

\$1.1 million is provided for the continued cost of 30 additional police officers hired during FY 01-02 to enhance security at various military installations across the state. \$100,000 in the General Appropriation Bill and \$200,000 in the Capital Outlay Act will provide for the Mass Civilian Casualty Simulation Project to train emergency medical personnel in early response functions.

- **\$20.1 million in total state and Federal Funds is appropriated for the Education Program including the operation and maintenance of the Carville Complex.**

The Youth Challenge Program is now offered at three locations in the state; Camp Beaugard, Carville, and Minden. The Academy aids high school dropouts in acquiring life enhancing and employable skills. Participants aged 16-19 are unemployed, drug-free, and free from serious involvement with the legal system. The program consists of a five-month residential training program and twelve-month post-residential mentor phase. In lieu of the \$1,200 stipend normally awarded to program graduates, a combined program offers the graduate a position in the Job Challenge Pilot Program. There are two classes a year with 200 slots per class.

The facility has also been slated for use as a component of the Southern Anti-terrorist Regional Training Academy. The center would train “first responders” (law enforcement, fire and emergency medical personnel) how to react in the event of a terrorist attack on the country. Funding in the amount of \$3.2 million for necessary renovations and improvements to the facility is included in the Capital Outlay Act (see below).

- **The Capital Outlay Act provides \$74.1 million for various projects statewide.**

These projects are funded by \$1.2 million in State General Fund, \$57.6 million in Federal Funds and \$15.3 million in Obligations Bonds in Priorities 1 and 2 and include:

\$55.1 million for infrastructure upgrades and improvements

\$ 6.6 million for homeland security enhancements

\$ 8.8 million for maintenance

\$ 3.6 million for regional hazard mitigation projects

Veterans Affairs

- **The Capital Outlay Act provides \$56.4 million for a new War Veteran's Cemetery and three new veteran's homes.**

The Southwest La. War Veterans Home in Jefferson Davis Parish is funded with \$5.5 million in Priority 1. Construction is due to begin by August 2002 and is expected to take 18 months to complete. There is also \$5.8 million in Federal Funds, \$450,000 in State General Fund and \$350,000 in Priority 5 General Obligation Bonds for the planning and construction of a new War Veterans Cemetery which will be located in Caddo Parish.

Two additional War Veterans Homes are proposed in St. John the Baptist and Bossier Parishes. Federal Funds totaling \$28.8 million and Priority 2 and 5 General Obligation Bonds totaling \$15.5 million are appropriated for these planned expansions.

PUBLIC SAFETY AND CORRECTIONS

Corrections

- **A \$6.6 million increase in Sheriffs Housing of State Inmates is provided due to projected growth.**

The budget has been increased to \$144 million. This increase was based on the FY 01-02 appropriated amount of \$137 million (to house approximately 15,280 offenders). Due to the delay in implementation of legislation enacted in the 2001 Regular Session, projected reductions in Sheriff's Housing were not recognized in FY 01-02 and there was an anticipated shortfall of approximately \$7 million (average number of offenders at the end of FY 01-02 was 16,150). This means that the appropriated amount for FY 02-03 may be insufficient to fully fund the program. However, the number of inmates currently housed in local jails does appear to have stabilized. Furthermore, the department has contracted with George Washington University to utilize a projection model to assess the impact of legislation and continued growth patterns in this budget.

- **\$4.6 million allows for the continued implementation of the Juvenile Justice Settlement Agreement.**

In October 2000, the state officially settled a Department of Justice lawsuit over conditions in the state's juvenile prisons. This funding continues the implementation of the settlement agreement. The DOC has contracted with the LSU Health Sciences Center to provide the delivery of services. LSUHCS provides comprehensive health care, dental care, and mental health assessment for all youths entering DOC annually. Additionally, it provides curriculum development and training for new employees, provision and development of tele-health infrastructure, and development of a computerized database and record keeping system. This increase brings the total contract to \$20.3 million. The adjustment includes the addition of eight new positions at the three juvenile correctional centers.

- **\$4 million in Federal Temporary Assistance for Needy Families (TANF) Funds from the Department of Social Services provides for expansion of educational and rehabilitation programs.**

\$3.0 million was allocated in FY 01-02 for *Project Return*, an aftercare program which provides transitional services to assist former offenders to reintegrate into the community. The department will issue a request for proposals for similar programs located throughout the state to be funded in FY 02-03.

- **The Capital Outlay bill provides \$62.5 million for a variety of projects at correctional facilities.**

These projects are funded by \$2.2 million in State General Fund, \$3.5 million in Self-generated Revenues, \$4.8 million in Federal Funds and \$52 million in General Obligation Bonds in Priorities 1, 2, and 5 and include:

\$ 1.8 million	for statewide repairs and equipment acquisitions
\$ 7.6 million	for dormitory and cellblock planning and construction
\$ 16.2 million	for replacement and renovations to educational buildings, infirmary buildings and skilled nursing facilities
\$ 1.2 million	for levee system improvements at Angola.
\$ 2.3 million	for the Juvenile Justice Settlement Agreement
\$ 33.4 million	for mechanical, sewage and water treatment, sanitary renovations, Fire Marshal/Health Department upgrades and kitchen renovations

- **\$11.9 million reduction in debt service due to bond refinancing will free up funds to be used in other areas of Corrections Services.**

The Correctional Facilities Corporation (CFC) was established for the purpose of financing and acquiring correctional facilities for lease to Corrections Services (DOC). The CFC currently leases from the Department two unimproved parcels of land that were originally purchased by DOC (located in Union and East Carroll Parishes). To effect the release of the land, the CFC proposes to defease the prior bonds. The refunding will increase debt service because the prior bonds will not be prepaid. At the direction of DOC, the term of the refunding will extend five years beyond the original term of the prior bonds (to 2008). The debt service will be reduced from \$17 million annually to approximately \$5 million annually, effectively freeing up \$12 million for the next two years. For FY 02-03 the budget funds 259 positions in Probation and Parole with these funds. The proceeds from the sale of the land are projected at \$3 million. These funds will be used as the state match portion for the Violent Offender Incarceration/Truth-in-Sentencing (VOI/TIS) Federal Funds to begin construction of the Skilled Nursing Facility at Elayn Hunt Correctional Facility.

Public Safety

- **\$2.8 million is appropriated for Homeland Security.**

Annualizes FY 01-02 funding for security enhancements as a result of the events of September 11 and provides for the continued support of the addition of 25 troopers in Traffic Enforcement, 10 positions in Criminal Investigation, 4 civilian positions in Operational Support and 29 DPS officers for capital security.

Additionally, the amount of \$466,000 in Federal Funds is budgeted for the Louisiana Domestic Terrorism Advisory Committee. Executive Order MJF 01-42 created the advisory committee chaired by the deputy secretary of the Department of Public Safety and co-chaired by the director of the Office of Emergency Preparedness. The committee is charged with the

development of a statewide domestic preparedness strategic plan, including needs assessments and resource allocation to state and local entities. The committee is currently funded with \$1.3 million in Federal Funds from the Department of Justice. The amount of \$144,000 was used for a statewide risk assessment and \$1.2 million will be available for distribution to local law enforcement agencies for equipment needs based on the assessment.

- **\$15.6 million in State General Fund and Statutory Dedications is appropriated for state trooper salary increases.**

The issues of recruiting and retaining qualified officers have become critical to the Louisiana State Police (LSP). Out of 60 police departments surveyed, LSP starting salary ranks 14th in Louisiana. After one year when other departments get supplemental pay of \$3600 per year, the LSP comparative ranking drops to 20th. The current starting salary for cadets is \$22,048 with increases to \$24,371 after one year. A starting salary of \$31,304 with a salary of \$36,601 after one year is recommended to bring LSP salaries to a competitive level. A beginning salary increase to this level, along with adjustments to pay scale for troopers at other levels is projected to cost \$15.6 million.

The following legislation of the 2002 Regular Session provide funding for this increase:

Act 19 increases the tax on cigarettes from 24¢ per pack to 36¢ per pack and dedicates the proceeds to a number of programs, including the La. Cancer Research Centers in New Orleans and Shreveport for smoking cessation programs, the Office of Addictive Disorders, the L.S.U. Agricultural Center, the D.A.R.E. Program and the Office of State Police for salary adjustments. The total State Police allocation is projected at \$4.5 million.

Act 83 creates the Louisiana State Police Salary Fund and provides for certain increases in the annual insurance licensing taxes in an amount up to \$15.6 million per year to be used for meeting increased salary needs. The appropriation from this fund for FY 02-03 is \$11.1 million.

House Bill 1 includes an appropriation of \$15.6 million from slot machine gaming revenues generated at live horse racing facilities (slots at the tracks) for FY 02-03 which are in excess of the official forecast of the Revenue Estimating Conference on April 30, 2002. The bill also includes language that limits the total allocation of funds from these three sources to \$15.6 million and requires that the impact on the State General Fund dollars be minimized in reaching that allocation.

- **\$3.0 million provides for the continued implementation of customer service programs and for the acquisition and implementation of new technology in the Office of Motor Vehicles.**

Act 1 of the First Extraordinary Session of 2000 approved an increase in handling fees charged by the Office of Motor Vehicles from \$5.50 to \$8.00. The additional revenues are credited to the Office of Motor Vehicles Customer Service and Technology Fund. The funds

are used for the acquisition of new computer equipment and upgrades to the data processing services.

- **\$1 million in State General Fund is appropriated for the State Crime Laboratory.**

There are six state crime labs located throughout the state. The labs have relied primarily on court fees for funding, but due to reduced collections in the courts, funding issues have become a source of concern. Funds will be used for infrastructure, capital outlay improvements to upgrade current building and equipment needs and to meet the mandates related to the DNA program and the Combined DNA Index System (CODIS). The department is directed to submit a plan for equitable distribution of these funds to the Joint Legislative Committee on the Budget for review and approval.

ECONOMIC DEVELOPMENT

- **\$1.0 million in State General Fund is provided for completion for the e-readiness plan.**

In FY 01-02, \$1.0 million was appropriated for a study of the risk/benefit processes, the development of a help desk, and on-line applications for staff. In FY 02-03, the initiatives to complete the plan include web refresh, the development of a standard risk/benefit process, simplification and automation of performance measures, and on-line access to building/site information.

- **\$4.3 million in State General Fund is appropriated for the Louisiana Technology Park in Baton Rouge.**

In FY 01-02, a total of \$5.8 million was appropriated for the Technology Park. The park includes an advanced commercial data center, a high-tech business incubator, and a teacher computer training facility. Currently there are six businesses housed in the incubator.

- **\$3.07 million in State General Fund is appropriated for the Sugar Bowl, Independence Bowl, New Orleans Bowl, Compaq Classic Golf Tournament, and the NCAA Men's Basketball Championship and the Women's Volleyball Tournament.**

The Sugar Bowl is funded at \$1.1 million, which includes a \$100,000 increase over FY 01-02. The Independence Bowl is funded at \$375,000, the same level as in FY 01-02. The New Orleans Bowl is funded at \$350,000, a \$50,000 increase from FY 01-02. The Compaq Classic Golf Tournament is funded at \$250,000 and the NCAA Men's Basketball Championship and the Women's Volleyball Tournament at \$1.0 million.

- **The Economic Development Award Program ("Closing Fund") is funded in the Capital Outlay Act at \$8.7 million in State General Fund.**

These funds are for infrastructure projects to assist the state in securing business deals that would benefit economic development efforts.

- **\$14 million in capital outlay funding is provided for equipment acquisition for the National Center for Advanced Manufacturing Equipment at UNO.**

This amount includes \$7 million from the La. Economic Development Fund, \$5.9 million in Priority 1 and \$1.1 million in Priority 2 bond funding.

- **The Grammy Exposition and Hall of Fame Exposition in New Orleans is appropriated \$9.9 million in bond funding for planning and construction.**

Included is \$500,000 in Priority 1, \$1.0 million in Priority 2, and \$8.4 million in Priority 5, with a \$5 million local match requirement.

TOURISM AND CULTURAL DEVELOPMENT

- **\$2 million is appropriated for the Louisiana Library Connection.**

These funds are used to increase Internet and database access in local libraries by using existing state fiber-optic networks to take advantage of telecommunications discounts available to libraries. This is the same level of funding as in FY 01-02.

- **\$1.5 million is provided to maintain state aid to local libraries.**

These funds are used for acquisition of computer and telecommunications technologies by local libraries, including further automation of library operations. They may also be used for the acquisition of books, audiovisual materials, newspapers, and periodicals. This is the same level of funding as in FY 01-02.

- **\$2 million in additional State General Fund is provided for enhancements to state parks and historic sites.**

These funds are used for the operating costs of new cabins, group camps, a pool, a visitor center, etc., and 41 new positions at Lake D'Arbonne State Park, Audubon Historic Site, Poverty Point Reservoir State Park, and Caney Creek Lake State Park.

- **\$6.5 million is appropriated for the Arts Program (\$4.9 million in State General Fund)**

These funds are used to support established arts institutions, nurture emerging arts organizations, assist individual artists, encourage the expansion of audiences, and stimulate public participation in the arts. This provides full funding of the Percent for the Arts Program at \$660,000 and two positions with funding provided by a transfer of capital outlay funds. Also included in these funds is \$5 million for art grants.

- **\$5 million in capital outlay funding is provided for welcome centers.**

These funds will be used for the expansion, planning, and construction of various state welcome centers, including Slidell, Mound, Vidalia, and Rapides Parish. Total funding includes \$125,000 in State General Fund, \$1.6 million in Priority 1, \$270,000 in Priority 2, and \$3.0 million in Priority 5.

- **\$49.6 million is appropriated in the Capital Outlay Act for museums in the Department of Culture, Recreation and Tourism and the Secretary of State.**

These funds will be used for the planning, construction, repair, and improvement of various state and local museums, including \$14.9 million for the Louisiana State Capitol Park Museum and \$12.0 million for renovation of the Old State Capitol. Total funding includes \$15.5 million in Priority 1, \$5.1 million in Priority 2, and \$29 million in Priority 5.

- **\$107 million is included in the Capital Outlay Act for state parks and historic sites.**

These funds will be used for the planning, construction, repair, improvement, and acquisition of various state parks and historic sites. Funding includes \$4.5 million from the State Parks Improvement and Repair Fund for preventive maintenance and \$2.3 million in State General Fund for major repairs, equipment, and park road and bridge repair and \$.6 million in Federal Funds. Bond funding includes \$33.3 million in Priority 1, \$10.6 million in Priority 2, and \$55.6 million in Priority 5.

AGRICULTURE AND FORESTRY

- **\$35.2 million in Statutory Dedications is appropriated for the fifth year of the five-year Boll Weevil Eradication Program and \$8 million in revenue from “slots at the tracks” is provided for debt service for the program.**

Of the \$35.2 million, \$29.2 million is to be used for the Northeast Eradication Zone, and \$6 million will be used for the Red River Eradication Zone. For the Northeast Eradication Zone, \$10.5 million will come from farmers (\$15 fee per acre), and \$18.7 million will come from a \$50 million loan the department secured for the program. Of the \$6 million for the Red River Eradication Zone, \$1.4 million will come from the farmers and \$4.6 million from the loan. There is also a total of \$8 million from the Pari-Mutuel Live Racing Facility Gaming Control Fund (slots at the tracks) budgeted for debt service payment on this loan.

- **\$350,000 is appropriated for a poultry diagnostic laboratory.**

These funds will be used to fund three positions and related operating expenses plus equipment for a poultry diagnostic laboratory in Homer.

- **\$500,000 is appropriated for a senior farmer’s market nutrition program.**

These are Federal Funds allocated by the new Federal farm bill for the continuation of a pilot program begun in FY 01-02. These funds are used to provide coupons to low income elderly citizens to purchase fresh fruits and vegetables from local farmers and farmer’s markets.

- **\$1 million in funding was restored, including 30 positions, which had been proposed for elimination in the Executive Budget.**
- **\$1.6 million out of proceeds from “slots at the tracks” is appropriated for agricultural related economic development activities.**

These funds from slot machine revenues deposited into the La. Agricultural Finance Authority Fund are appropriated for infrastructure construction and improvements to the rail system, facilities, and equipment used in the transportation of sugar cane. In addition, these funds may be used to facilitate the further processing of agricultural commodities, such as sugar cane, corn, and rice.

- **\$6.5 million is appropriated in the Capital Outlay Bill for fire suppression equipment.**

These funds will be used to purchase environmentally safe tractors for use in fire suppression efforts related to forest fires (\$1 million in Priority 1; \$1.5 million in Priority 2; \$4 million in Priority 5).

OTHER GENERAL GOVERNMENT

Executive Department

- **\$1.2 million is appropriated for implementation of the automated Victim Notification System in the Louisiana Commission for Law Enforcement.**

Act 979 of the 1999 Regular Session created the Automated Victim Notification System to provide information to crime victims and their families, particularly status information on offenders charged or convicted of a crime against individuals or their family members. A total of \$915,000 was provided in the Capital Outlay Bill for the acquisition of information technology equipment to implement this electronic notification system. An additional \$285,000 was provided in the General Appropriation Bill for the annual operating expenses of the system.

Elections

- **\$6.3 million in increased funding is appropriated for additional election costs due to three statewide elections in FY 02-03.**

Natural Resources

- **\$38.5 million is appropriated for coastal restoration efforts.**

These funds are used for the development, operation, maintenance, and monitoring of coastal restoration plans and projects in order to preserve, enhance, restore, and protect the coastal wetlands of Louisiana. Major sources of funding include the Wetlands Conservation and Restoration Fund (\$22 million) and Federal Funds (\$14 million). Included in this appropriation is \$9 million for engineering and design work on the Bayou Lafourche Fresh Water Diversion Project.

- **\$800,000 in additional State General Fund support is appropriated for the Office of Conservation.**

To offset a decline in fee revenues collected by the Office of Conservation, a \$400,000 fee increase was passed in the 2002 1st Extraordinary Session. Along with this increase, \$800,000 in additional State General Fund that has been appropriated to maintain the current level of operations for the Office of Conservation.

- **\$200,000 in additional funding is appropriated for the Office of Mineral Resources.**

A \$200,000 fee increase that was passed in the 2002 1st Extraordinary Session will fund five positions in the Office of Mineral Resources in order to enhance the office's auditing activity.

- **\$8.6 million is appropriated in the Capital Outlay Bill for Atchafalaya Basin projects.**

These funds will be used for various Atchafalaya Basin restoration and enhancement projects, with match provided by Federal, local, and other funds (\$4 million in Priority 1 and \$4.6 million in Priority 5).

Environmental Quality

- **\$7 million in additional state funding is provided for the Department of Environmental Quality (DEQ).**

To offset a decline in fee revenues collected by DEQ, an additional \$7 million of State General Fund was appropriated to DEQ for a total of \$7.5 million in State General Fund. In addition to the increase in State General Fund, a \$7.5 million fee increase was passed in the Special Session. Due to a decline in the fee revenue the department collects and the depletion of a fee surplus the department has been operating on for a number of years, these increases were necessary in order to maintain funding for operations of the department.

- **\$2.4 million and 56 positions were reduced in DEQ.**

Due to a decline in the fee revenue collected by the department, 56 positions and associated funding were eliminated from the department during the Executive Budget process.

Labor

- **\$36.5 million in one-time Reed Act Federal Funds are appropriated to Department of Labor for technology enhancements, equipment, and staff training.**

Under the Economic Stimulus Package passed by Congress in March 2002, Louisiana received a distribution of \$105 million in Reed Act funds. These funds can be used either for unemployment compensation benefits or, if appropriated by the legislature, to support administration of the unemployment law and employment offices.

Act 75 (House Bill No. 242) of the 2002 Regular Session appropriates \$36.5 million from Louisiana's Reed Act distribution for redesign of the Unemployment Insurance Tax and Benefits system (\$20,600,000), enhancement and upgrade of technology infrastructure (\$10,050,000) and staff training and professional development (\$5,850,000).

Wildlife and Fisheries

- **\$224,000 in projected funding from boat trailer registration fees is appropriated for aquatic weed eradication.**

Act 77 (House Bill No. 244) of the 2002 Regular Session, which imposes an additional vehicle registration license tax of \$3.25 per year on boat trailers, is projected to generate \$224,000 in FY 02-03. The proceeds of this tax will be deposited into the Aquatic Plant Control Fund for use by the Department of Wildlife and Fisheries to fund aquatic weed eradication efforts.

- **\$2.2 million in Federal Funds will fund a \$4 bounty on nutria.**

These are Federal Funds transferred from the Department of Natural Resources that will be used to pay hunters and trappers a \$4 bounty on nutria in order to help save the coast from the damage caused by nutria.

- **\$3.9 million is appropriated for various wildlife and fisheries projects.**

These are Federal Funds from a number of different sources for numerous wildlife and fisheries projects throughout the state. Included in this amount is \$1.6 million in funding for a public oyster resource development project.

- **\$1 million in Federal Funds is appropriated for species monitoring and data collection.**

These are Federal Funds for a number of projects that monitor and collect information on reef sites and habitat, fish harvest and stock status, and species use of created wetlands and other habitat.

- **\$10 million in Federal Funds is included in the Capital Outlay Act to be used for grants to local municipalities for the planning and construction of boating access projects across the state.**

- **\$3.4 million is provided in the Capital Outlay Act for wildlife land acquisition across the state (\$2.5 million from Statutory Dedications; \$860,000 in Priority 2).**

- **\$1.3 million in capital outlay funding from Federal Funds and Statutory Dedications is appropriated for planning and construction of a new marine fisheries investigations and management laboratory in Grand Isle in order to conduct biological research.**

Other Requirements

- **\$39.2 million from Transportation Trust Fund is appropriated for the Parish Transportation Program.**

The Parish Transportation Road Program is continued at \$31.3 million. The program provides funding to all parishes for road system maintenance with funds distributed on a population-based formula. The Mass Transit Program provides \$4.9 million for mass transit programs located throughout the state. The Off-System Roads and Bridges Match Program provides \$3 million for the match for funding off-system railroad crossings and bridges.

- **Supplemental Pay to Law Enforcement Personnel continues to be funded at \$70.4 Million.**

This program provides an additional \$300 monthly compensation for over 19,000 municipal police, deputy sheriffs, firefighters, and constables and justices of the peace as follows:

➤ 6,452 Municipal Police	\$ 23,950,000
➤ 4,960 Firefighters	\$ 18,564,700
➤ 7,273 Deputy Sheriffs	\$ 27,136,875
➤ 800 Constables and Justices of the Peace	\$ 720,000

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)

- **\$108.6 million in Federal Funds is appropriated to support core Department of Social Services (DSS) TANF activities.**

The current TANF plan expires September 2002. A new plan, which proposes substantial changes to the existing federal welfare system, is being considered in the congressional reauthorization process. The principle elements of the TANF reauthorization plan proposed by the Bush administration are (1) increased work requirements for all families (increased to 40 hours); (2) changes to “countable” participation activities and requiring that 24 of 40 hours include “direct work” activities; (3) implementation of a welfare-to-work plan for all families within two months of receiving aid; (4) increasing state welfare-to-work participation rates to 70% by FY 2007, and (5) replacing the caseload reduction credit with employment credit, whereby recipients who exit with income may be counted towards state participation for up to three months. The following are DSS core TANF activities in the FY 02-03 budget which will be affected by the congressional reauthorization requirements:

➤ **\$72.0 million for Cash Assistance Payments**

This allocation represents a \$2 million reduction from FY 01-02.

➤ **\$8.0 million for FIND Work Activities**

The Family Independence Work Program (FIND Work) assists Family Independence Temporary Assistance Program (FITAP) recipients with educational, training, and work-related activities designed to lead to employment and self-sufficiency. This allocation represents a \$7 million reduction from FY 01-02.

➤ **\$8 million for Support Services for FIND Work Clients**

To facilitate attendance and successful completion of these activities, the program provides supportive services when needed such as child care, transportation, eyeglasses, and other items necessary for training or employment.

➤ **\$7.5 million for Teen Pregnancy Prevention**

This allocation is in addition to the \$2 million of additional TANF initiative funds, which are listed in the next section. Total funding for the DSS teen pregnancy prevention programs is \$9.5 million.

➤ **\$13.1 million for Administration**

This is a new allocation that will be used to assist DSS in the implementation and maintenance of the core TANF activities.

- **\$125.7 million in Federal Funds is appropriated to support additional TANF initiatives.**

In FY 01-02 a large balance of TANF block grant funds was identified. This prompted the expansion of existing TANF programs and the creation of new programs for FY 01-02 and 02-03. Each of these programs must comply with federal requirements and meet one of the following TANF goals: (1) to provide assistance to needy families; (2) to end the dependence of needy families by promoting work, job preparation, and marriage; (3) to reduce out-of-wedlock pregnancies; and (4) to encourage the formation and maintenance of two-parent families.

Louisiana will receive an \$8.2 million “welfare to work” bonus as one of the top performing states in moving welfare recipients to work and sustaining their success in the workforce. Funds may be used to expand or create new initiatives if obligated before October 1, 2002. Funds obligated after October 1, 2002 may only be used for cash assistance.

FY 02-03 TANF initiatives include the following:

➤ **\$29.5 million for Pre-K**

This program, administered by the Department of Education, is to provide high quality early childhood education for low-income four-year-olds in participating school districts. This allocation represents a \$14.5 million increase from FY 01-02.

➤ **\$6.0 million for Non-public Pre-K**

This program, administered by the Office of Community Programs in the Governor’s Office, provides for coordination of high quality early childhood education for low-income four-year-olds in Orleans Parish non-public schools and other localities with identified capacity to offer programming through non-public schools. This allocation represents a \$3 million increase from FY 01-02.

➤ **\$7.0 million for a Pre-GED, dropout prevention and intervention program**

This program, administered by the Department of Education, is to provide young students, who are at risk of dropping out of school, skills assessment and referrals to basic and job skills services. This allocation represents a \$7 million reduction from FY 01-02.

➤ **\$8.0 million for after-school activities and enhancement programs**

This program, administered by the Department of Education, is to provide high quality after-school education and enhancement programs for school-age children through qualified community-based organizations. This allocation represents a \$2 million increase from FY 01-02.

➤ **\$4.75 million for new child and teen literacy programs**

This new program is to be administered by the Department of Education for the purpose of improving the literacy proficiency of school-aged children.

- **\$4.0 million for new family literacy programs**
This new program is to be administered by the Department of Education for the purpose of improving the literacy proficiency of families and adults.
- **\$2.4 million for truancy programs**
This program, administered by the Supreme Court, provides truancy intervention services for at-risk school-aged children. This allocation represents a \$1.15 million increase from FY 01-02.
- **\$10.0 million for education and training services**
This program, administered by the Workforce Commission, provides education and training initiatives with the Louisiana Community and Technical College System.
- **\$1.0 million for micro-enterprise development initiatives**
This program, administered by the Department of Economic provides assistance with small business organizations for low-income parents.
- **3.0 million for training opportunities for incarcerated parents**
This program, administered by the Louisiana Community and Technical College System in collaboration with the Department of Corrections, is to provide training opportunities, such as GED and job skills, for incarcerated parents. This allocation represents a \$1 million increase from FY 01-02.
- **4.0 million for post-release skills programs**
This program, administered by the Department of Corrections, is for the purpose of enabling newly released inmates to gain employment and life skills. This allocation represents a \$1 million increase from FY 01-02.
- **\$2.0 million for Individual Development Accounts**
This program is administered by the Department of Social Services and provides savings opportunities for low-income families.
- **\$2.0 million for transportation initiatives**
These initiatives are administered by the Department of Social Services to assist working families in rural and urban communities through vehicle ownership opportunities, shuttles, vanpools, and other innovative transportation initiatives. This allocation represents a \$1.5 reduction from FY 01-02.
- **\$2.0 million for teen pregnancy prevention**
This program, administered by the Department of Social Services, will provide additional teen pregnancy prevention initiatives through qualified community-based organizations. This amount is in addition to the \$7.5 million funds of the DSS core TANF budget. Total funding of \$9.5 million represents a \$2.5 million increase from FY 01-02.

- **\$3.0 million for utility assistance**
This program is administered by the Louisiana Housing Finance Agency for the purpose of providing one-time utility assistance to families at or below 200% of the federal poverty level. This allocation represents a \$14.5 million reduction from FY 01-02.
- **\$375,000 for home ownership opportunities**
This program is administered by the Louisiana Housing Finance Agency for the purpose of providing assistance with home ownership opportunities. This allocation represents a \$625,000 reduction from FY 01-02.
- **\$1.0 million for the Delta Project**
This project is administered by the Louisiana Housing Finance Agency for the purpose of providing emergency home repair assistance to low-income families in the Delta-Parish area.
- **\$5.0 million for housing initiatives**
This program is administered by the Louisiana Housing Finance Agency for the purpose of providing short-term and emergency housing assistance. This allocation represents a \$2 million increase from FY 01-02.
- **\$3.0 million for domestic violence initiatives**
This program, administered by the Office of Women's Services, provides service-based domestic violence assistance in coordination with the Women's Commission and the Louisiana Coalition on Domestic Violence. This allocation represents a \$1 million reduction from FY 01-02.
- **\$875,000 for new family strengthening initiatives**
This new program is to be administered by the Department of Social Services for the purpose of providing intervention and support services to enable low-income parents to act in the best interest of their child.
- **\$4.0 million for Court Appointed Special Advocates (CASA)**
Administered by the Louisiana Supreme Court, the program provides Court Appointed Special Advocates to needy children. This allocation represents a \$400,000 increase from FY 01-02.
- **\$5.0 million for drug courts**
Administered by the Louisiana Supreme Court, this funding provides supervised non-medical substance abuse services for low-income parents and juveniles.
- **\$4.0 million for substance abuse initiatives for women**
This program administered by the Department of Health and Hospitals, Office of Addictive Disorders, provides non-medical substance abuse treatment for women with minor children.

- **\$1.75 million for new early childhood intervention initiatives**
The new initiatives will be administered by the Department of Health and Hospitals, Office of Mental Health, for the purpose of providing early childhood prevention and intervention non-medical services focusing on mental health supports for at-risk children ages 0-5 and their families.
- **\$3.0 million for parenting initiatives**
Administered by the Department of Social Services, Office of Family Support, these initiatives provide low-income fathers with employment, life skills, and parenting skills. This allocation represents a \$2 million increase from FY 01-02.
- **\$419,807 for Youth in Transition initiatives**
This program is administered by the Department of Social Services, Office of Community Services, for the purpose of providing support for youths age 10 through 17 years of age transitioning out of foster care.
- **\$1.5 million for new abortion alternatives initiatives**
This new program will be administered by the Department of Social Services, Office of Family Support, in collaboration with pregnancy crisis centers.
- **\$6.0 million for new Community Response initiative**
The initiative will be administered by the Department of Social Services, Office of Family Support, for the purpose of reducing poverty in Louisiana through community-based competitive grants. This allocation represents a \$1 million increase from FY 01-02.
- **\$1.0 million for statewide TANF oversight and evaluation including two positions in the Division of Administration.**
- **\$100,000 for two additional positions in the Department of Social Services, Office of Family Support, to coordinate implementation of new and expanded initiatives.**

TOBACCO FUNDS

OVERVIEW

Louisiana will derive an estimated \$67 million in FY 02-03 from settlement proceeds related to the state's 1998 settlement with the tobacco industry. These monies are dedicated for deposit into the Millennium Trust Fund and the Louisiana Fund. The total investment earnings and settlement proceeds estimated to be available for appropriation for FY 02-03 from these funds is \$25.7 million.

MILLENNIUM TRUST

The Millennium Trust is a permanent trust fund into which 75% of the tobacco settlement revenues are deposited. All investment earnings are credited, one-third each, to the Education Excellence Fund, the Health Excellence Fund and the TOPS Fund within the Millennium Trust. Only investment earnings on the Trust can be spent. An exception to this for FY 02-03 is that an extra 10% of this year's total settlement revenues must be credited to the Education Excellence Fund, and such monies are available for appropriation to the public schools; therefore, the appropriations from the Education Excellence Fund are larger than those from the Health Excellence Fund or the TOPS Fund. Total appropriations from funds within the Millennium Trust for FY 02-03 are \$19.9 million, which includes new monies available for appropriation (\$15.7 million) as well as some carry-forward monies from prior years (\$4.2 million), as follows:

➤ **Education Excellence Fund**

\$ 8.6 million	Allocated to local school systems to be used for prekindergarten through twelfth grade instructional enhancement, including charter schools
\$ 378,357	Allocated on a lump sum plus a per pupil basis to the five state special schools: the Louisiana School for the Deaf; the Louisiana School for the Visually Impaired; the Louisiana Special Education Center; the Louisiana School for Math, Science and the Arts; and the New Orleans Center for Creative Arts
\$ 411,445	Allocated for nonpublic schools

➤ **Health Excellence Fund**

\$ 5.3 million	Support of the Medicaid program
\$ 300,000	Competitively awarded health sciences research grants administered by the Board of Regents

➤ **TOPS Fund**

\$ 4.3 million	Support of the TOPS program
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➤ **Millennium Trust Fund**

\$ 771,099	Expenses related to investment of the Trust
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LOUISIANA FUND

The Louisiana Fund is a special fund within the state treasury, into which a portion (15% in FY 02-03) of the tobacco settlement revenues are deposited. All monies in this fund are available for appropriation. Total appropriations for FY 02-03 are \$36 million, which includes new monies available for appropriation (\$10 million) as well as some carry-forward monies from prior years (\$26 million), as follows:

\$ 12.2 million	Support of the Medicaid program
\$ 11.3 million	Competitively awarded health sciences research grants administered by the Board of Regents
\$ 6.6 million	Support of school-based health clinics through the Office of Public Health
\$ 3.5 million	Charity Hospital/Medical Center of Louisiana at New Orleans, for provision of indigent health care
\$ 1.5 million	State matching funds for the Starting Points Preschool Program through the Department of Social Services
\$ 600,000	Smoking cessation programs through the Office of Public Health
\$ 342,074	Attorney General for activities related to enforcement of the settlement